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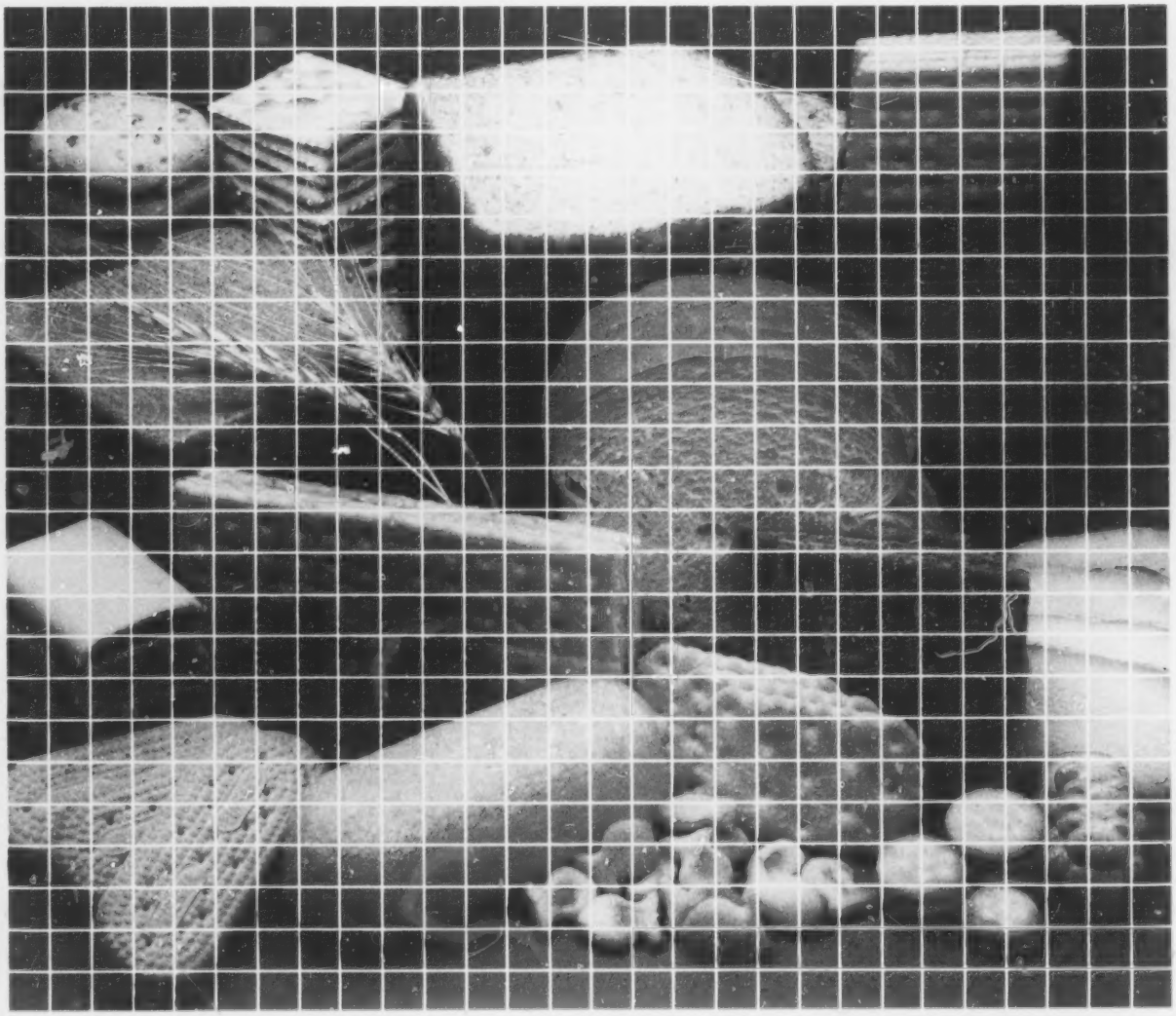

CORPORATE PROFILE: BAKING

Milling & Baking News

Baking's major players: A situation report

This special issue of *Milling & Baking News*, entitled "Corporate Profile: Baking", is designed to provide readers with a situation report on the largest bread and cake and cookie and cracker companies in the United States, in terms of dollar sales.

This publishing endeavor was prompted by the transformation in the ownership, structure and operations of wholesale baking, from the standpoint of individual companies as well as the overall industry, including both bread and cake and cookies and crackers. Reflecting the rapidity and extent of that change, "Corporate Profile: Baking" is the third special edition of *Milling & Baking News* to address this subject in recent years. Each has been undertaken with a specific but different objective. The first, "A White Paper Report: The Changing Face of Breadstuffs," was published in 1983 and focused on the principal issues and trends that had affected baking in the prior decade. In publishing that special report, the goal was to assist breadstuffs managers in preparing for the future by gaining a better understanding of the recent past. The second special edition, "Baking's Leaders," was published in 1984 and provided an in-depth examination of the management styles of chief executives who are at the helm of the largest bread and cake companies in the U.S.

The emphasis in "Corporate Profile: Baking" is on the current status and future direction of the 25 profiled companies and their people, products, marketing and distribution. A composite chronology in this section outlines the more significant events affecting each of the companies since mid-1982, often viewed as the beginning of sweeping ownership and structural changes that continue as wholesale baking approaches 1989. Statistics on individual companies' sales, plant locations, principal products, brands, distribution and marketing are provided in each profile. Additional statistics from the 1988 "Baking Directory" of *Milling & Baking News* and from outside sources provide an industry-wide perspective on trends in production, consumption, plant numbers, employment and wages and capital investment in this period of rapid change, perhaps unprecedented in modern history.

The mergers, acquisitions, management and other operational changes that have brought new faces to wholesale baking have been covered in detail in the weekly issues of *Milling & Baking News*. But the frequency of these changes, combined with the increasing demand on industry executives to address immediate concerns such as rising ingredient and materials costs, provides little time for reflection on the overall magnitude of the transformation that has occurred, much less on its impact in the future. A striking example is in the observation that of the 25 companies profiled in this section, 12 have undergone one or more ownership changes in the past six years. Equally surprising is the realization that 10 of the profiled bakers are owned by companies that were not in the wholesale baking business six years ago.

In comparing the present and future of wholesale baking with the very recent past, readers may observe some startling differences. Missing from the list of profiled companies are some long-familiar names in wholesale baking, such as American Bakeries, Heileman Baking and American Brands. At the same time, there are new names on the baking scene, including G.F. Industries, San Francisco French Bread, Wyndham Baking, Best Foods Baking Group and General Foods Bakery Companies. Lending a sense of familiarity are a few regional family-owned baking companies that, while not unaffected by all that has occurred around them, have not undergone the same degree of change as others. Included in this group are such names as Mrs Baird's, Lewis Bros. Bakeries, McKee Baking, Nissen and Schmidt Baking. Even with this diversity, there is a common thread, a common direction for the 25 companies in "Corporate Profile: Baking." That is the realization that even with all of the changes, and indications that more may follow, wholesale baking still is a business where success is determined by identifying opportunities and making things happen. How each company is addressing that is the focus of this special issue.

Baking company profiles reflect industry's increasing diversity

THE 25 COMPANIES reviewed in this special "Corporate Profile: Baking" issue operate an aggregate of 311 baking plants with combined annual sales volume of $13.7 billion and more than 125,000 employes.

The companies profiled include 20 of the largest wholesale bakers of bread and cake products in the United States and the five largest wholesale producers of cookies and crackers. At the same time, several of the bread and cake bakers also produce cookies and crackers, and bread and cake are among the baked foods produced and sold by the cookie and cracker leaders. That crossover in production and marketing is but one of the changes marking wholesale baking in the past few years.

Many similarities and differences

There are many similarities yet many differences in the ownership, operating structure and approach, products and distribution of the 25 companies, as illustrated by the following profile highlights:

- Annual sales volumes of the individual companies range from $80 million to $2 billion. Nine companies have annual sales of more than $500 million.

- The number of baking plants operated by the companies ranges from one to 49. Only five of the 25 companies operate more than 20 plants.

- The companies' employment numbers range from 700 to more than 20,000.

- The companies are about evenly split between those distributing products in a regional market and those marketing one or more products on a national or near-national basis.

- Ten of the companies, or their parent companies, are publicly-owned. Five are fully or partially-owned by foreign companies, public or private. The remainder are family-owned or under other private ownership.

- Products produced range from bread and bagels and cakes, cookies and crackers to frozen dough, pita bread and salty snacks.

- Twelve of the 25 companies have undergone an ownership change since 1982. In some instances, entire companies, or segments of them, have undergone more than one ownership change in this period.

- Of the 25 companies, 10 are owned by "new players" — companies who were not in the wholesale baking business as recently as six years ago.

- Baking is the principal business of 18 of the profiled companies. In all of the seven other companies, baking is included among diverse food and consumer product subsidiary operations.

As an introduction to the individual corporate profiles in this section, the following baking chronology highlights the major structural, ownership and operational changes involving these companies:

1982

July: Flowers Industries, Inc., acquires Jack's Cookie Co., Inc., Charlotte, N.C., marking entry into cookie, cracker business.

October: General Biscuits of America, Inc., which acquired Burry Division of The Quaker Oats Co. in 1980, purchases Salerno-Megowen Biscuit Co. from Associated Biscuits Holdings, Inc., U.S.A.

November: Anheuser-Busch Companies, Inc., completes acquisition of Campbell Taggart, Inc., the nation's second-largest wholesale bread and cake baker, in transaction valued at $570 million.

November: General Foods Corp. completes acquisition of Entenmann's, Inc., from Warner-Lambert Co. for $350 million.

1983

May: General Biscuits of America acquires Mother's Cake and Cookie Co., Oakland, Calif., for approximately $24 million.

December: Flowers Industries acquires Jack's Cookie Co., Inc., Tampa, Fla., and United Biscuit Co. of America, Inc., Grand Rapids, Mich.

1984

May: General Foods expands in baking with acquisition of nine-plant western division of Oroweat Foods Co. from Continental Grain Co. In separate transaction, investor-management group acquires the Arnold and Brownberry operations of Oroweat.

May: Kraft, Inc., enters baking with acquisition of Lender's Bagel Bakery.

October: Ralston Purina Co. completes acquisition of Continental Baking Co., nation's largest bread and cake baker, from ITT Corp. for $475 million.

October: A.E. Staley Manufacturing Co. acquires CFS Continental, Inc., including food service bun baking operations.

December: Good Stuff Food Co., Inc., Los Angeles-based producer of specialty bread

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Responding to economy: 'Hunker down, stay close to customers'

THERE AREN'T MANY BAKING companies that can thrive for 85 years by serving a one-state territory and some fringe areas. But then, there aren't many family-owned wholesale bakers who saw an opportunity 20 years ago to capitalize on family involvement in low-key, personalized television advertising.

It's been that long since H. Vernon Baird, grandson of founder Ninnie L. Baird, appeared in the background of the company's first television commercial. The chairman and chief executive officer of Mrs Baird's Bakeries, Inc., now does the voice-overs for a variety of television commercials featuring other members of the Baird family.

No shortage for television cameras

With several generations of the clan involved in the business, nearly 20 Bairds in all, there's always someone available for the camera. "Our ad agency first talked us into this; they thought our story was unique because of the family involvement," Mr. Baird said. "So we have stayed with it and probably will keep using the family in commercials in the future.

"We value our ability to work together as a family, and we use that in our advertising. Relatively speaking, things run pretty smoothly for a family business. We have our differences, but we air them in private and when we leave a meeting we are united." Mr. Baird expressed a great deal of satisfaction in noting that the company has never had to call in the kind of consultants who specialize in working with family-owned companies.

In addition to Mr. Baird, other family members in top-level management positions include Clayton D. Baird Sr., vice-chairman; J. Allen Baird, president; F. Carroll Baird, executive vice-president, and Arthur Baird and Byron Baird, newly named vice-presidents.

While the Bairds still dominate the company's Executive Committee, in recent years mid-level positions, such as plant manager, are filled almost exclusively by non-family members. That non-family members can rise to upper level management, Mr. Baird said, is reflected in a low turnover rate. And, he said, it is encouraged by the overall structure of the company being relatively simple. "We just don't have many layers of management," Mr. Baird said.

Like the family, the Baird product line has expanded, especially in the area of variety bread. But white bread is still the company's No. 1 seller. Mrs Bairds also produces a full line of sweet goods.

The Bairds have continued to concentrate their marketing efforts in Texas. That hasn't changed despite recent problems in the state's economy. "The downturn hasn't changed how we market our products," said Mr. Baird. "We just hunker down and try to stay close to our customers. Sure, it's affected our business. The baking industry is very responsive to what people think about the economy. When they think it's going bad, they start eating those last two slices in the loaf instead of feeding them to the birds."

Long-standing presence pays off

The company's long-standing presence in Texas has enabled it to gain market share while the plants of some other wholesale bakers, as well as central baking facilities of some major supermarket chains, have been closed. "People have moved from Texas, but we are still finding pockets of population growth," Mr. Baird pointed out. In Houston, one of the state's most depressed markets but now showing signs of economic recovery, Mrs Baird's has added additional routes in the past two years, countering earlier route cutbacks there. Mrs Baird's opened a new baking plant in Houston less than three years ago.

Mr. Baird emphasized that the company's recent expansions of distribution outside Texas were not related to the Texas economy, but to Mrs Baird's growing capacity to serve additional areas.

The most recent expansions include Shreveport, La., and nearby Bossier, La., both serviced by Mrs Baird's Dallas plant, and Altus, Okla., supplied by the Abilene and Fort Worth plants. The company's only other outstate market area is in Clovis and Hobbs, N.M., cities adjacent to Texas' western border. Product for that area is supplied by the Lubbock plant.

There is no strategic plan for geographic expansion, but if the company does push outward it most likely will be into areas close to Texas, Mr. Baird added.

Despite the downturn in the Texas economy, Mrs Baird's has not closed any plants in the past five years other than one built in 1938 at Houston and closed when the new plant there was opened.

"The money we're spending to update our plants is major for us," Mr. Baird said, "but the level hasn't changed much in the past few years. We're always increasing capacity, adding new lines or new equipment."

In declining to elaborate on the size of the company's capital spending budget or its financing, Mr. Baird noted, "I'll just say that we have always been a conservative company. When we pay for something we know where the dollars are coming from."

Mr. Baird endorses a relatively simple formula for company growth: "Making good products that are good to eat. That wraps up our creed and our way of life. Our quality control standards probably aren't any different from other companies, it's just that we enforce them.

"We have a member of the family whose sole job is to look at the product that comes off the line from all our plants. He scores it and reports back to us. Our name, and his, is on the product. It has to be good."

MRS BAIRD'S

Vital Statistics

Ownership: Private.
Headquarters: Fort Worth, Texas.
Number, location of plants: 9. Texas.
Founded: 1908.
Total employes: 3,000.
Annual sales: $150 million.

Marketing, Distribution

Principal products: Bread, buns, rolls, cakes, sweet goods.
Principal brand: Mrs Baird's.
Markets: Texas, parts of Louisiana, New Mexico, Oklahoma.

Management

Officers:

Chairman, Executive Committee:
W. Hoyt Baird.
Chairman, chief executive:
H. Vernon Baird.
Vice-chairman:
Clayton D. Baird Sr.
President:
J. Allen Baird.
Executive vice-president:
F. Carroll Baird.
Vice-president:
Arthur Baird.
Vice-president:
Byron Baird.
Controller, secretary:
Dan Simpson.

As specialty baker broadens line, goal is being first on the market

WHEN IT COMES TO PRODUCTS that fit the popular notion of health foods, it's difficult to find a more precise line-up than that presented by Best Foods Baking Group, a division of CPC International Inc.

Starting with the S.B. Thomas line of English muffins, Best Foods added two brands of Melba toast and several well-known variety bread brands to its family through two acquisitions, both made in December 1986. More recently, Best Foods has introduced a line of cookie and muffin mixes to be sold in health food stores under the Stonebuhr label.

The $145-million purchase of Arnold Foods brought the Brownberry and Devonsheer labels to CPC; the subsequent acquisition of the Old London business from Borden, Inc., included its line of Melba Rounds, popcorn and snacks.

Synergies in markets, products

Robert B. Snyder, who has been with CPC four years, did not have an acquisition program in mind when he became president of S.B. Thomas two years ago. But soon after he relocated to the U.S. from Canada, Arnold became available. "It was appealing for a couple of reasons," said Mr. Snyder, now president and chief executive officer of Best Foods Baking Group. "For one, Thomas and Arnold were operating in the same geographic markets, primarily East of the Mississippi, and we could see efficiencies in sales and operations. Another reason Arnold was attractive was that its products had the same image as ours — both are premium, high-quality, specialty baked goods."

Through a consolidation of sales forces, Best Foods Baking Group is operating with 200 fewer independent distributors than Arnold and S.B. Thomas were before the acquisition. At the same time, it has strengthened the presence of both brands in existing markets and is entering new ones. The Thomas' brand, now marketed coast to coast, in 1987 had its highest volume growth and category market share in years. Brownberry, well-known in the Midwest, is being test-marketed in some eastern markets.

"Each of our brands has different products of strength, but we want to maximize growth for total categories, like bread and muffins," Mr. Snyder said. "We plan to do this through promotional programs and advertising."

Operational efficiencies were realized when Best Foods Baking Group closed Arnold's biscuit and cracker plant at Carlstadt, N.J., and moved operations to a 250,000-square-foot plant in the Bronx acquired with the Old London business. This move consolidated the manufacturing of the Old London and Devonsheer labels.

While Best Foods Baking Group operates on a centralized basis (it recently moved out of S.B. Thomas' old headquarters in Totowa, N.J., to Fairfield, N.J.), and has a large quality assurance group, each brand also has its own management group.

Substantial investments in plants

Mr. Snyder noted that Best Foods Baking Group is making a considerable investment to update its Bronx plant. The company also is investing heavily in the four other plants acquired with Arnold, bringing in new ovens and packaging equipment.

Concurrent with the plant modernization program, Best Foods Baking Group has been busy introducing new products. Its Arnold's Bakery Light line now includes three varieties: Wheat, Oatmeal and Italian. "We were first on the market with an Italian Light," Mr. Snyder said. "This whole line has had particularly dynamic growth."

Best Foods Baking Group also extended Arnold's Bran'nola line with the introduction of a 24-oz Nutty Grains loaf, which contains walnuts in addition to the multiple grains traditionally found in Bran'nola products. And it has expanded the flavors available in Thomas' English muffins. Both the Thomas and Bran'nola lines offer great growth potential, according to Mr. Snyder.

A principal challenge, Mr. Snyder noted, is to "continue to build our market share. Some segments of the bread market are growing dynamically, and we have to develop more products for those segments ourselves, and try to be the first one on the market."

Mr. Snyder also believes the dry foods side of the business, including the Old London, Devonsheer and Stonebuhr labels, presents opportunities for growth. "There's going to be a lot of activity here in the near future, primarily with specialty crackers."

Best Foods Baking Group

A Unit of Best Foods

ARNOLD

Vital Statistics

Ownership: CPC International Inc.

Headquarters: Fairfield, N.J.

Number, location of plants: 12. California, Connecticut, Florida (2), Illinois, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Wisconsin.

Total employes: 3,500.

Annual sales: $400 million.

Marketing, Distribution

Principal products: English muffins, bread, rolls, Melba toast, specialty crackers, pita bread.

Principal brands: Thomas', Arnold, Brownberry, Levy's, Old London, Sahara.

Market facts: One of largest baked foods advertisers in the U.S. Thomas' brand English muffins marketed coast to coast. Arnold brands distributed in more than 20 eastern states; Brownberry primarily in Midwest.

Management

Officers:

President:
Robert B. Snyder.

Vice-president, manufacturing:
Arthur D. Weren.

Vice-president, sales:
Robert B. Anderson.

Vice-president, finance:
John D. Keith.

Selective approach to plants and products improves bottom line

PLANT MODERNIZATION, product line extensions and new product introductions are paying off at Campbell Taggart, Inc.: Profits of the Anheuser-Busch Companies, Inc., baking subsidiary in its most recent fiscal year increased for the third consecutive year.

Since its acquisition by Anheuser-Busch in 1982, Campbell Taggart has undergone an ambitious plant consolidation program, continuing the Dallas-based company's reputation for tight cost controls. Among the early plant closures was the Manor bread plant in Kansas City, the birthplace of the Campbell Taggart business. One of the most recent was the Colonial operation in St. Louis, the parent company's headquarters city. In all, a dozen plants have been closed.

At the same time, Campbell Taggart has modernized and expanded other plants. "We have made substantial capital improvements to many of our facilities in order to maintain our competitive position within the industry," said Patrick T. Stokes, president and chief executive officer. "We will continue to build new bakeries and modify existing bakeries wherever justified."

As a follow-up to the streamlining of its plant operations, Campbell Taggart last summer realigned its field operating structure to place six to nine baking plants under one of six division offices.

Asked if Campbell Taggart now has its house in order as far as production is concerned and is ready to focus on promotion and distribution, Mr. Stokes responded, "Yes, although our plant modernization will continue." He explained that the company's "intensified focus on in-store promotional activities and distribution efficiencies" is approached on an individual market basis.

'Serving customers on local basis'

"We are constantly evaluating our procedures to find the best method of serving our customers on a local basis," he said. "As a result, we have concentrated on building promotions and distribution systems which work best for retailers in each of our bakery areas. A good example of this is our IronKids triathlon program. This localized approach means the best results for everyone."

The IronKids physical fitness program has been extended to the entire Campbell Taggart system in support of Colonial, Rainbo and Kilpatrick's brand white bread and buns.

Campbell Taggart, for many years a staunch advocate of traditional full-service route delivery, has adopted drop shipment programs in several markets. But that does not signal widespread movement to that system, according to Mr. Stokes. "Drop shipment is a program that offers definite advantages for some of our customers," he said. "The most important factors are the needs of the retailers in the individual markets." As to the product mix on the average route, Mr. Stokes noted, "We have broadened our product line through new product introductions in the last few years. Again, these vary from bakery to bakery." Along similar lines, Mr. Stokes said of the distribution relationship with Eagle Snacks, a sister company at Anheuser-Busch: "In most markets Eagle Snacks uses its own distribution system to service its customers. Where Campbell Taggart is involved, the partnership has worked out well."

Wide range of new products

Campbell Taggart has been more than busy with new product introductions. After completing introduction of Colonial, Rainbo and Kilpatrick's Light white and wheat bread in 1987, it has turned attention to extensions of Grant's Farm and Earth Grains variety bread offerings and completing roll-out of the Break Cake snack line.

Campbell Taggart last summer introduced Shake Cake brand snack cakes in 14-oz family packs containing eight individually wrapped cakes with a pudding center. The three-flavor line (chocolate, strawberry and vanilla) also is available in twin packs and an introductory trial size of one individually wrapped cake. Most recently, the company introduced four new oat bran loaves under the Earth Grains and Grant Farm's labels.

"We're always evaluating the possibility of adding new products," Mr. Stokes said. At the same time, Campbell Taggart continues to develop its baking business in Spain and France. "We are very pleased with the performance of our overseas operations," he said. "We operate these companies independently from our domestic operations, but look for ways they can work together. One such project was the introduction of handheld computers in Spain. We'll continue to look for growth opportunities for our overseas as well as domestic operations."

Vital Statistics

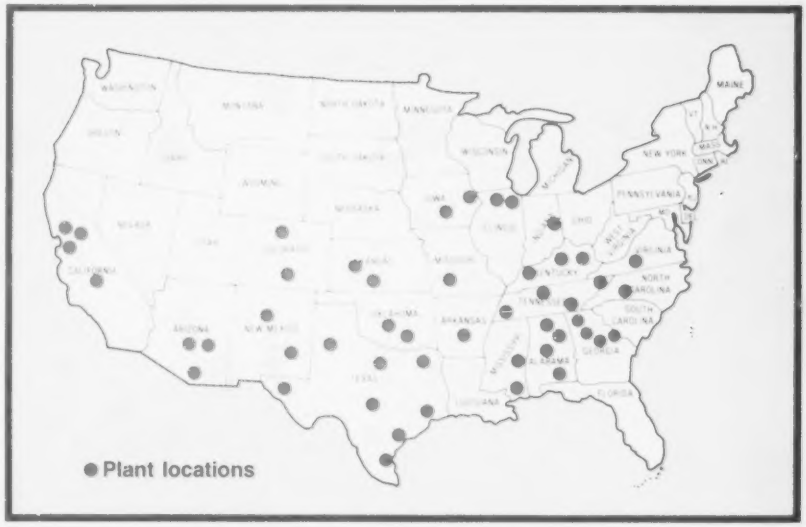
Ownership: Anheuser-Busch Companies.
Headquarters: Dallas.
Founded: 1925.
Number of plants: 49.
Total employes: 20,000.
Annual sales: $1.2 billion (est).

Marketing, Distribution

Principal products: Bread, rolls, Danish, sweet goods.

Principal brands: Colonial, Earth Grains, Rainbo, Kilpatrick's, Grant's Farm, Family Recipes, Break Cake.

Markets: Second largest bread and cake baker in the U.S. Distribution in Southeast, Midwest, Southwest and West, representing 35% of U.S. population. Subsidiaries include Merico refrigerated and frozen dough, baking operations in Spain and France.



Management

Officers:

President, chief executive officer: Patrick T. Stokes.
Chief operating officer, Bakery Division: Thomas E. Burnett.
Vice-president, eastern region: Rick Martin.
Vice-president, western region: Clyde Colley.
Vice-president, central region: Charles McLaughlin.

With plant consolidation winding down, focus turns to product line

CONTINENTAL BAKING CO. didn't sponsor "The Wonder Years," a television pilot about children growing up in the 1960's, but the title seems appropriate for a company that has grown a lot in the four years since its former parent, ITT Corp., sold Continental to St. Louis-based Ralston Purina Co.

From sales of $1.5 billion in 1983, Continental further strengthened its lead as the nation's largest producer of fresh bread and cake products by ringing up sales of $1.9 billion in 1987. The company attributes that gain to a significant investment in marketing following a system-wide asset restructuring program that marked its early years under Ralston Purina. Sales, and product margins, continue to increase in the current year despite the absence of Drake Bakeries from Continental's sales columns.

Continental Baking has introduced more new products in the past four years than at any time in recent history. For example, in the 1970's, the only significant new product introduced was Home Pride bread. But in just the past few years, the company has greatly expanded its bread line to include Wonder Light reduced calorie bread, Wonder Family Italian, Wonder Soft Whole Wheat, and Bread du Jour, an upscale line of bake-at-home breads. Continental also added four new varieties to its Beefsteak bread line and early this year began marketing Wonder Light hamburger buns and hot dog rolls. Most recently, Continental introduced Wonder Hi-Fiber bread and a four-variety line under the Oatmeal Goodness brand.

Continental also has broadened its sweet goods selection with new products like Choco-Bliss snack cakes, pudding pies and pudding cakes. Choco-Bliss quickly became the third most popular Hostess product, trailing only Twinkies and cupcakes.

The flurry of new product introductions by Continental Baking — and advertising and promotion campaigns to support them — tends to confirm assessments made in the mid-1980's that the entrance of Ralston Purina and other consumer product giants into baking would bring a new emphasis on product development, advertising, marketing and promotion.

"Ralston Purina is a strong food marketing company," one executive of Continental Baking noted. "They have encouraged our activities with dollar support and expertise, whereas ITT was financially-oriented."

Ralston Purina's annual advertising dollar support of Continental Baking products is estimated at more than $30 million, placing it among the largest advertising accounts in wholesale baking.

Health claims on two products

One of the more visible indications that Continental Baking is becoming more aggressive in advertising and promotion, as well as in product introduction, can be found in its use of health claims in product labeling and advertising. Continental began using health claims late in 1987 on its Wonder Hi-Fiber bread line, citing diet recommendations of the National Cancer Institute. This fall, it introduced a new Oatmeal Goodness variety bread line nationally with labels pointing out the benefits of oat bran in reducing and controlling serum cholesterol levels.

In another first, Continental this summer launched an advertising campaign featuring both of its flagship brands — Wonder and Hostess — in the same promotion.

Follows plant restructuring

Continental Baking's increasing focus on product introductions and advertising support comes on the heels of "an ongoing program designed to evaluate and make best use of the company's assets." This plant closing program was initiated by Ralston Purina soon after it moved Continental Baking's headquarters from Rye, N.Y., to Checkerboard Square in St. Louis and resulted in shutting down ovens at no less than 15 baking plants. Significantly, Continental Baking exited only one market altogether; in all of the other markets, it maintained sales and distribution with product supplied by other company plants.

Continental Baking's plant consolidation program is winding down; the only two plants targeted for closure in the past year — at Norristown, Pa., and Washington, D.C. — were the direct result of the company's acquisition of the mammoth central baking plant of Acme Markets, Inc., in Philadelphia. Attention of Continental Baking, and that of its parent company, now appears narrowly focused on broadening its product line in both the bread and cake categories.

Continental Baking Company

WONDER. Hostess

Vital Statistics

Ownership: Ralston Purina Co.
Headquarters: St. Louis, Mo.
Founded: 1924.
Number of plants: 40.
Total employes: 22,500.
Annual sales: $1.9 billion.

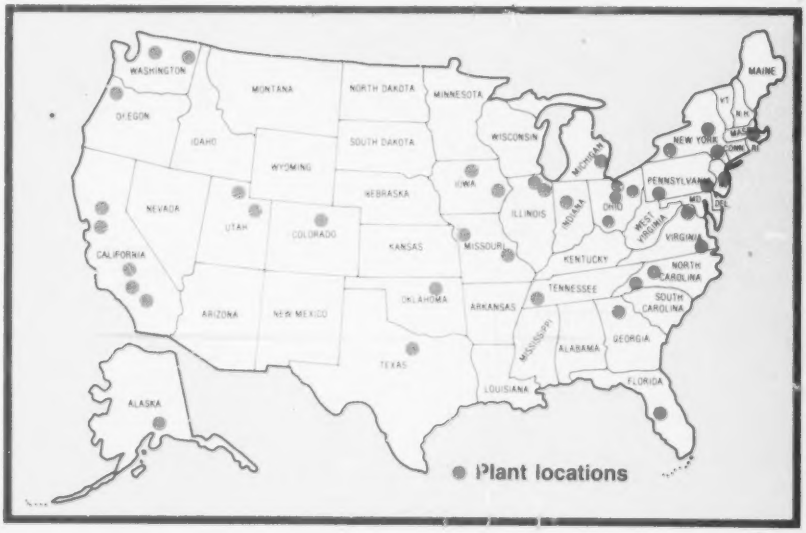
Marketing, Distribution

Principal products: Bread, snack cakes, rolls, buns, sweet goods, English muffins.

Principal brands: Wonder, Hostess, Home Pride, Beefsteak, Bread du Jour, Breakfast Bake Shop, Oatmeal Goodness.

Market facts: Products distributed to about 80% of U.S. population; holds approximate 40% share of national market for snack cakes and pies. Operates more than 550 thrift stores.

Routes: 7,000.



Management

Officers:

Chairman, chief executive:
Jay W. Brown.

President, chief operating officer:
Joseph A. Signore.

Executive vice-president, operations:
Robert W. Bracken.

Vice-president, cake marketing:
Rex Proctor.

Vice-president, bread marketing:
Sue Herrick.

Management finds independence invigorating but challenging

INDEPENDENCE IS INVIGORATING. In a wrapper of new ownership, Drake Bakeries, Inc., has left behind the unsettled period following its sale by Borden, Inc., in mid-1986 to Ralston Purina Co., St. Louis, the parent of Continental Baking Co. Now, in the year of the centennial of the first pound cake baked by founder Newman E. Drake, the Wayne, N.J.-based baking company is moving rapidly to expand its product line while digging deeper into familiar territory for increased sales.

That territory covers the northeastern United States and Florida. Drake in the past five years has pushed into the ranks of the 20 largest wholesale bakers in the country; sales in 1987 exceeded $140 million.

Drake president and chief executive officer Christos Christodoulou believes the company can hurdle the $200-million mark in the next three to five years by expanding the core of the company's business — snack cakes and pies. And there's no place like home to begin. "We have market voids in upstate New York, parts of Pennsylvania, Washington, D.C., Maryland and Florida that we are trying to fill," he said.

Joint venture with Canadian group

For the first time, Drake also is marketing products other than those produced by the company. A five-year joint venture with Culinar, Inc., of Canada is a radical break from tradition. In the past, Drake relied almost exclusively on its company-owned routes for expansion. Drake is now test marketing in the Northeast a 14-item line of Culinar's Vachon products, including cakes, snacks and pastries. The companies had been close to a similar agreement four years earlier, but the sale to Ralston Purina and subsequent litigation delayed the venture.

Drake was purchased in 1987 for $176 million by a management group led by Mr. Christodoulou, a native of Egypt who joined the company in 1964 as a chemist. Joining the management group in the acquisition was Rock Capital Partners L.P.

Soon after completion of the acquisition, Drake management attempted to raise additional capital by selling all 503 of its company-owned routes to the company's driver-salesmen. But that plan ran into opposition from locals of the International Brotherhood of Teamsters, and subsequent discussions convinced Drake to scuttle the idea, Mr. Christodoulou said.

"We finally decided that our distribution system was so strong that perhaps it was better not to change it," he said.

Mr. Christodoulou said Drake will explore other sources of financing, including possible sale of assets. "My challenge is to strike a balance between financial responsibility and business expansion," he said.

The company already has plans to close one plant, on Long Island. That plant's employes and operations will be transferred to the headquarters plant at Wayne, 25 miles from Long Island.

The Wayne plant currently is under expansion and, when completed, will be operating at only 60% of capacity, providing Drake with ample room for the growth that Mr. Christodoulou projects. Drake operates a third plant at Memphis, Tenn.

Second effort on Dessert Squares

A potential contributor to growth is a product Drake plans to reintroduce this fall — Dessert Squares.

Earlier efforts several years ago with the Dessert Squares products were unsuccessful. "We're not sure what went wrong the first time — if the problem was packaging, price or image," Mr. Christodoulou commented. "Dessert Squares were available in three different flavors, and the response to each flavor was inconsistent in various segments of our market."

The problem may simply have been one of timing, with Drake being ahead of consumer demand. Slightly larger than petit-fours, and individually wrapped, Dessert Squares are designed to appeal to an upscale audience that is now signaling acceptance of individual, bite-sized desserts.

"This time around, we are involving our new advertising agency (Wyse Advertising of New York) and research groups," Mr. Christodoulou said. "We believe the product offers unlimited expansion potential through different fruits and fillings. We also are looking at other product extensions by introducing new variations of our coffee cake, for example, and new flavors of our Devil Dogs, such as a Banana Dog."

Devil Dogs has been one of Drake's most consistent performers since the company purchased the formula for the snack cake in 1923. Until then, Drake produced only coffee cakes and pound cakes. The newest addition to the product line is cinnamon and sugar Kruellers.

Accustomed to corporate presence

Flexibility to respond to changing market demand is one of the advantages of independence, Mr. Christodoulou believes. But independence also is challenging for people who have worked so long under corporate ownership. Drake was in the Borden group of operations from 1946 until 1986, and then with Ralston Purina one year.

"With very few exceptions, our managers are making the transition very well," Mr. Christodoulou said of Drake's new independence. "And our workers are very dedicated; we are blessed with many people who have worked here 25 years or longer. One of our sales people, who died recently, was with the company 50 years. He was a prankster, and the tone of his wake was very lively. But I couldn't help but cry when I saw the Drake cap in his casket. People like this make us a very rich company."

Vital Statistics

Ownership: Private.
Headquarters: Wayne, N.J.
Founded: 1896.
Number, location of plants: 3. New Jersey, New York, Tennessee.
Total employes: 1,334.
Annual sales: $140 million plus.

Marketing, Distribution

Principal products: Snack cakes, pies, brownies, fig bars.
Principal brands: Yodels, Yankee Doodles, Devil Dogs, Ring Dings, Kruellers, Auntie's, Keathley's.
Market facts: Reaches 30% of U.S. population; major markets include Boston, New York, Philadelphia, Washington.
Routes: 500 company-owned routes.
Number of distribution depots: 26.

Management

Officers:
President, chief executive officer:
Christos Christodoulou.
Controller:
Nigel McAndrew.
Vice-president, sales:
Edmond Hudon.
Vice-president, marketing:
Joel Sherman.
Vice-president, operations:
Nancy Suyu.

'Doing 1,001 things right' at center of employe profit incentive system

FLOWERS INDUSTRIES, INC., has its own formula for success, an exacting one that, according to C. Martin Wood III, senior vice-president and chief financial officer, challenges management and employes to do "1,001 things right every day." Objectives include compound earnings per share growth of 15%, a 20% return on stockholders' equity and a 15% return on investment.

The Thomasville, Ga.-based company hasn't always achieved each goal each year. In fiscal 1987, for example, earnings fell as the company initiated a major restructuring program. But "taking short-term losses to achieve long-term gains is consistent with the Flowers philosophy," Mr. Wood said. For most of the 20 years since the company went public, Flowers has been one of the most profitable bread and cake operations in the country with a dramatic year-to-year earnings increase performance. After the 1987 restructuring, Flowers rebounded in fiscal 1988 with record earnings and a return on stockholders' equity of 24.3%, the highest ever.

Profit incentive, not sales

"You have to keep building the revenue side and chipping away at costs," Mr. Wood pointed out. "What focuses our attention on cost control is our profit and goal orientation. We work on an incentive system that's tied to profits, not sales."

In fiscal '87, under the company's Performance Share Plan, Flowers granted key employes 170,414 performance shares, which are convertible to common stock and cash provided the company achieves specified income goals over a four-year period.

"Our mission," Mr. Wood added, "is to earn meaningful results for the shareholders of this company." Interestingly, more than half of the company's 9,100 employes also are shareholders. While several members of the Flowers family are members of the board of directors and/or hold top management positions with the company, Mr. Wood noted, "We don't emphasize family connections here. This is a professional corporation." Neither of Flowers' two top corporate officers — Amos R. McMullian, chairman, and Frederick E. Cooper, vice-chairman — are related to the founding family.

Flowers, whose reciprocal baking system stands as a model for many others in wholesale baking, continues to expand its variety bread and sweet goods offerings under its Nature's Own, Cobblestone Mill and BeeBo family brands. At the same time, it continues to market white bread under regional brands such as Hometown, Evangeline Maid, Buttermaid, Dandee and Betsy Ross.

Gone from the Flowers line-up are cookie, prepared sandwich, salted nut and vending supply operations that generated $115 million in annual sales but failed to meet profit goals. Flowers divested these businesses in fiscal 1987 and 1988 as part of its now-completed restructuring. "Having been through a divestiture before, we're not as hesitant now to make assessments and take quick action," Mr. Wood noted. "The lesson we learned back in 1979 and 1980, when we sold our chicken processing operation, was that some entities will never achieve our corporate goals."

'We're looking for niches'

Even with the divestitures, Flowers continues to explore acquisition opportunities. "We expect acquisitions to be a very large part of our future," Mr. Wood pointed out. "Our aim is to add more markets, primarily in our traditional areas. We're looking for niches we haven't yet penetrated with our products."

Flowers also is continuing to convert company-owned routes into independent distributorships. In the past 3½ years, the company has sold an undisclosed number of these 2,200 routes under long-term financing arrangements. Along with enhancing cash flow for a period of years, Mr. Wood believes the conversion will improve the productivity of Flowers' distribution team. The company already is experiencing volume gains on the independent routes. "Selling the routes is part of an evolutionary process that should make us the most efficient distributor, as well as manufacturer, of branded baked foods," he said.

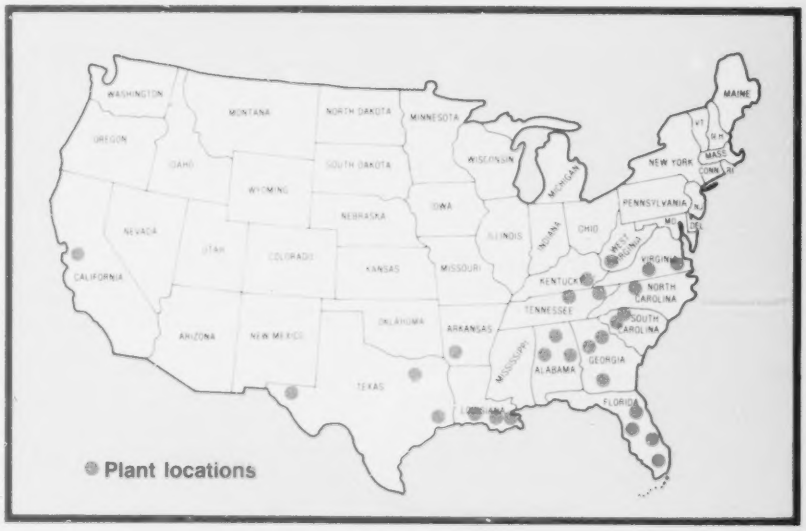
Another program to enhance productivity and morale at Flowers is Philosophy in Action program, earlier known as Golden Circle. Since the program was started in 1984, almost 600 employes have been brought to company headquarters for a three-day study of the company and its management.

Vital Statistics

Ownership: Publicly held.
Headquarters: Thomasville, Ga.
Number of plants: 27.
Founded: 1919.
Total employes: 9,100.
Annual sales: $738 million.

Marketing, Distribution

Principal products: Bread, buns, rolls, sweet goods.
Principal brands: Flowers, Nature's Own, Cobblestone Mill, BeeBo, Bluebird, Breads International.
Markets: Southeast, Midwest, West.
Routes: 2,200, primarily company-owned.



Management

Officers:

Chairman, chief executive officer:
Amos R. McMullian.
Vice-chairman:
Frederick E. Cooper.
President, chief operating officer:
Heetn Varnedoe III.
Senior vice-president, chief financial officer:
C. Martin Wood III.
President, Baked Products Group:
George E. Deese.
President, Cake Products Group:
William C. Schwartz.

West coast link helpful on trends; not waiting for external growth

MICHEL LAVERNE was delighted with the 1988 World Series teams. The president and chief executive officer of Oakland-based Mother's Cake & Cookie Co. has an ongoing promotional program with both the Los Angeles Dodgers and the Oakland Athletics, as well as other baseball teams in the West. At each game, Mother's distributes free baseball cards, each of which carries the Mother's brand name. Baseball cards are one example of creative promotion, and being creative is one way Mother's competes with nationally known brands such as Nabisco and Keebler.

Promotional budgets for Mother's have been increasing ever since its parent company, General Biscuits of America, Inc., purchased the business in 1983. That's also true of G.B.A.'s two other holdings, Burry-LU, Elizabeth, N.J., and Salerno-Megowen, Chicago. These two operations merged in 1984 to create General Biscuit Brands.

The Oakland, Elizabeth and Chicago operations are all run as separate companies with their own operating budgets and objectives, Mr. Laverne said. What they have in common are strong brand names in regional markets: the one brand carried in all three regions is LU.

Balanced presence in U.S. market

The Mother's acquisition provided G.B.A. with a foothold on the West coast that balanced its presence in the U.S., Mr. Laverne said. "Mother's also was attractive because of its products and the strong image those products had with Californians, many of whom grew up with Mother's cookies. And, the company had a strong direct-store distribution system and quality people in management and in the field."

Since it was acquired by G.B.A., Mother's distribution has grown from approximately 250 routes to 350 in 14 western states. G.B.A. also has invested in new equipment, new delivery vans and hand-held computers for route salesmen. "We are convinced that without the computers we would be living in another age," Mr. Laverne said. "These are especially important with the spread of the scanner system in supermarkets." The Chicago operation also is introducing route computers. "G.B.A. has spent more than $5 million on capital improvements at Oakland, Chicago and Elizabeth," he noted. "At Mother's, each year we spend more than we did the year before."

G.B.A. and its parent, Generale Biscuit S.A., the world's third-largest producer of biscuits and toasted bread, were acquired in 1986 by BSN S.A., France's largest food and beverage group. The purchase of Mother's in 1983 is the group's most recent in the U.S. "Since we entered the U.S., the players have gotten bigger and bigger, and there are few companies for sale the size of Mother's and Salerno," Mr. Laverne said. "We aren't going to wait to grow until the right opportunity comes along; we are growing internally. But we do keep looking. Being national is not an objective. We have been fortunate in that we are in some of the fastest-growing markets in the country, like California and Texas. Another market that would make sense in that regard is Florida, although we have only a small presence there with the LU brand."

LU is G.B.A.'s signature brand, with a line that includes such names as Pims, Craquelin, Marie LU, Little Schoolboy and Euphrates. Some products are imported from Europe; others are baked in the U.S. at the G.B.A. headquarters plant in Elizabeth.

Variety of product introductions

G.B.A. has introduced several new products, including NataLU, a wafer with creme filling, and under the Marie LU brand, a whole-wheat cookie and a chocolate-striped cookie. Salerno has benefited from changes in packaging and new advertising campaigns; one of its most successful new products is Dinosauer Grrrahm, introduced this past year. Salerno also has added chocolate-enrobed Circus Animals; Mr. Chips, a chocolate chip variety, and Mr. Figgs, a fruit-filled item. Mother's, which also markets under the Bakery Wagon brand, has two successful new products: Cocadas, aimed at the Hispanic community, and an oatmeal chocolate chip cookie.

"We believe we are offering consumers a well-chosen selection of cookies in all our major markets," Mr. Laverne said. "We listen to what consumers are saying, study the trends and try to follow them. Having an operation in California, where many trends are supposed to start, is helpful."

Vital Statistics

Ownership: BSN S.A.

Headquarters: Elizabeth, N.J.

Number, location of plants: 3. California, Illinois, New Jersey.

Total employes: 2,000.

Annual sales: $250 million (est.)

Marketing, Distribution

Principal products: Cookies, crackers, ice cream wafers.

Principal brands: LU, Salerno, Mother's, Bakery Wagon.

Market facts: Fifth-largest producer of cookies and crackers in U.S. Principal marketing areas in Northeast, Great Lakes and West. LU brand distributed in more than 50% of nation. Distribution through company-owned routes and independent distributors. Supplies about one-third of all cookies for annual Girl Scout program. Food service products distributed by Quaker Oats Co.

Management

Officers:

President, chief executive officer: Olivier N. Martin.

Vice-president, sales and marketing: Ralph P. Splinter.

President, Mother's Cake & Cookie: Michel Laverne.

Keeping family flavor in the baking business: 'The perfect way to go'

GREGORY B. MURPHY, chief executive officer of General Foods Bakery Companies, Inc., is not one to discuss the family business in great detail. In this case, the "family" includes Entenmann's, Inc./Oroweat Foods Co.; Charles Freihofer Baking Co., Inc., and Boboli Co., which operate as independent companies under the umbrella of the holding company headed by Mr. Murphy.

But he is not hesitant to emphasize General Foods Bakery Companies' role in keeping the identities of each of the baking companies and their 14 plants intact.

Freihofer and Entenmann's are perfect examples of the holding company philosophy at General Foods. Mr. Murphy points out that Freihofer, General Foods' latest acquisition in baking, "is successful because the Freihofer family adhered to a certain set of operating principles and a dedication to quality. It has a superb record for performance and growth. So we try to stay out of the way and let them go about their business.

"The same applies to Entenmann's. To the degree that you can have the founding family guarding those principles and working with you, you can keep that family flavor in the business. It's the perfect way to go."

Robert W. Freihofer, former president of Freihofer, was named chairman of that business upon formation of the holding company; Kurt R. Wissehr, formerly with Oroweat, was named president and chief executive of Freihofer. William Entenmann has rejoined the company bearing his name as special counsel to the chief executive officer. That title, Mr. Murphy acknowledged, "sounds like a lot of mumbo-jumbo, but his return is a strong statement about our commitment to product quality.

"As a company, our basic philosophy is that quality needs to be guarded by the operator on the line, and that we need to provide operators with the tools to do this. Without getting specific, we are making progress in providing those tools. But we also believe the commitment to quality has to start at the top. The c.e.o., the president, must be deadly serious about product quality and communicate that. That's another reason we're glad to have Bill Entenmann back."

No problem with corporate identity

Mr. Murphy is not the least concerned that employes of each of these companies identify with working for Oroweat, Entenmann's or Freihofer rather than for General Foods Bakery Companies. In fact, it's a trait he would like to nurture. "One of our true assets is the pride employes have in working for these individual companies," he said. "You can't overestimate the importance of that emotional investment."

So what is there left for the holding company to provide its family of strong, independent, well-managed companies? "We can help advance and adhere to each company's values and operating principles," Mr. Murphy said. "We can provide resources in marketing programs, technical assistance or financial support. Each baking plant that each of our companies operates is set up as a profit center and each has a general manager. We encourage their entrepreneurial spirit and drive by letting them run their business. We don't meddle, but we do try to give them the resources they need.

"For example, when I send our corporate engineers or technical people into one of those bakeries, they are reporting to the plant manager or the general manager."

Acquisitions diverse, strategic

The company's acquisitions in baking following the Entenmann's purchase in 1982 have been diverse from the standpoint of product mix yet highly strategic. The addition of Oroweat in 1984, for example, opened up the western states for distribution of Entenmann's sweet goods. "But we also found that Oroweat is a strong brand and that there was a lot of business to build on in that geographic territory," Mr. Murphy pointed out. Prior to the Freihofer acquisition in late 1987, General Foods added Boboli Co., a San Rafael, Calif.-based producer of Italian bread shells, and for the parent company's food service operations, The Croissant Bakery, Inc., New Haven, Conn.

Each acquisition has had at least three elements in common — "high quality, high margins and alignment with consumer trends" — according to Mr. Murphy. "In sweet goods, the business is a little schizophrenic; consumers want health foods, but there's an indulgence factor that keeps sales strong. There are additional opportunities in single-serving products in those lines."

GENERAL FOODS

Vital Statistics

Ownership: General Foods Corp. (Philip Morris Companies, Inc.)

Headquarters: Bay Shore, N.Y.

Number, location of plants: 14. California (3), Colorado, Connecticut, Florida, Illinois, New York (4), Oregon, Texas and Washington.

Annual sales: $750 million (est.).

Marketing, Distribution

Principal products: Sweet goods, bread, cake, cookies, rolls, English muffins.

Principal brands: Entenmann's, Freihofer, Oroweat, Boboli.

Markets: Entenmann's distributed in most major metropolitan areas; Oroweat in West, Midwest; Freihofer in Northeast.

Market facts: Operates approximately 200 distribution depots.

Management

Officers:

Chief executive officer:
Gregory B. Murphy.

Senior v.p., group general manager:
John J. Langdon.

Executive vice-president, Entenmann's:
David C. Collins.

President, c.e.o., Charles Freihofer Baking:
Kurt R. Wissehr.

New Sunshine owner enthusiastic on cookie, snack possibilities

THE ACQUISITION OF Sunshine Biscuits, Inc., earlier this year raised a number of intriguing questions. And the new owner, Wilfred Uytengsu, chairman of Oakland-based G.F. Industries, Inc., is beginning to provide some answers.

While the cookie business is a new one for Mr. Uytengsu and the privately held G.F. Industries, it's not an altogether unfamiliar one. Mr. Uytengsu has been involved in related snack food fields since the 1980 formation of G.F. Industries and the acquisition of Granny Goose Foods, Inc., and California Pretzel Co. Mr. Uytengsu also has interests in yeast and flour milling businesses in the Philippines.

"We are very enthusiastic about this acquisition," Mr. Uytengsu said of his company's purchase of Sunshine Biscuits from its long-time parent, American Brands, Inc. Sunshine, he noted, brings some strategic advantages to G.F. Industries: "Sunshine enjoys a long-standing reputation for its quality products, and G.F. Industries will benefit from Sunshine's people, product and manufacturing strengths."

Murray to president's post

Shortly after completing the acquisition, Mr. Uytengsu assumed the title of chief executive officer of Sunshine and named one of its veteran executives — Arthur G. Murray — as its new president and chief operating officer. Mr. Murray, who has been in the cookie and cracker industry more than 20 years, was executive vice-president of operations and food service at Sunshine under the previous owners.

One area of little change to date is in marketing promotion. Sunshine has launched a national consumer information campaign as the latest step in a continuing emphasis on its no-cholesterol and low-cholesterol cookie and cracker products. "We encourage consumers to study our ingredient statements and invite comparisons with our competition," Mr. Murray noted. "While cookie and cracker products are not represented as health foods, we at Sunshine are committed to producing cookies and crackers with the best ingredients available."

While Sunshine has yet to use health claims on its products, press kits announcing the consumer information campaign cite studies linking heart disease to elevated cholesterol levels and Sunshine packaging prominently displays a "No cholesterol" tag. "We are committed to reducing our use of tropical oils and are aggressively moving in that direction," Mr. Murray said.

From outward appearances, 86-year-old Sunshine Biscuits is operating independently of the other G.F. Industries baking businesses. That's misleading, according to Mr. Uytengsu's operations plan.

"In addition to G.F. Industries' entry into the biscuit and cracker market, Sunshine will enable Granny Goose Foods to expand its marketing horizons to Oregon and the state of Washington in the Pacific Northwest, and to Los Angeles and San Diego to the south," Mr. Uytengsu pointed out.

Granny Goose, headquartered at Oakland, produces potato chips, corn chips, tortilla chips, pretzels and other snacks for distribution in California, Nevada, Arizona and Hawaii. With plants at Oakland and in Honolulu, its annual sales volume is approximately $50 million, or about one-tenth that of Sunshine Biscuits.

California Pretzel Co., based in Hayward, Calif., produces soft pretzels, sourdough snacks, breadsticks, ice cream cones and frozen dough products largely for private label distribution. Annual sales volume is about $18 million; production plants are at Hayward and Visalia, Calif.

Sunshine also is involved in the snack food business, albeit in a limited way. It distributes potato chips, corn chips and tortilla chips in the West and Pacific Northwest under the Blue Bell brand from plants in Santa Fe Springs, Calif., and Portland, Ore.

Mr. Uytengsu envisions that a plant consolidation program involving Blue Bell and Granny Goose will generate "substantial synergies" and give the operations an expanded distribution base for snack foods in the western states.

Fits well at G.F. Industries

American Brands' decision to divest Sunshine was based on an assessment that it did not fit that company's long-range business strategy. Mr. Uytengsu's unfolding plans for the nation's third-largest producer of cookies and crackers suggest that Sunshine fits very well with the G.F. Industries game plan.

GFI
G. F. INDUSTRIES, INC.

Vital Statistics

Ownership: Private.

Headquarters: Oakland, Calif.

Founded: 1980.

Number, location of plants: 10. California (5), Georgia, Hawaii, Kansas, New Jersey, Oregon.

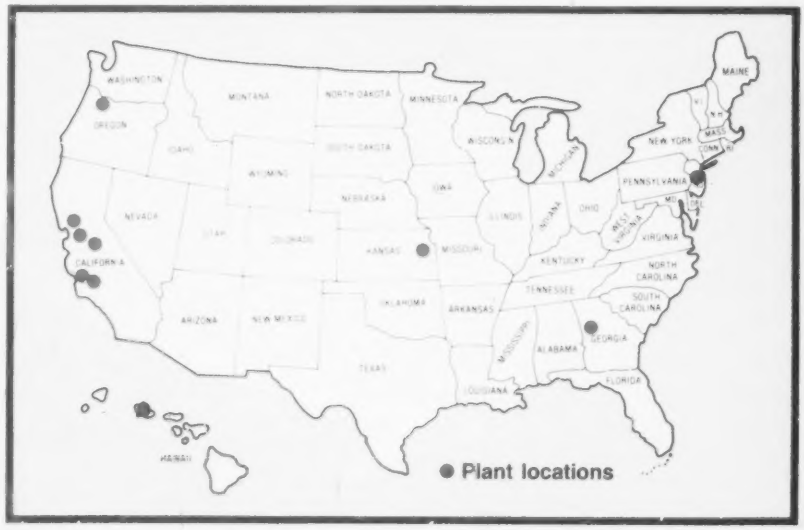
Annual sales: $600 million (est.)

Marketing, Distribution

Principal products: Crackers, cookies, pretzels, snack foods, frozen dough.

Principal brands: Krispy, Cheeze-It, Hi Ho, Hydrox, Chip-A-Roos, Grahamy Bears, Granny Goose, Blue Bell.

Market facts: Sunshine Biscuits subsidiary is nation's third-largest cookie and cracker company, with national distribution. Snack food products marketed in the western U.S. Granny Goose and California Pretzel distribution primarily in the West.



Management

Officers:

Chairman:
Wilfred Uytengsu.

President, Sunshine Biscuits:
Arthur G. Murray.

President, Granny Goose Foods:
Wesley J. Felton.

President, California Pretzel:
Richard Vanoni.

Hatch views employe partner plan as latest ingredient for success

LIKE A JOGGER loading up on bread and rolls the night before a long run, Interstate Bakeries Corp. has wolfed down a number of prime carbohydrate sources in a heart-pounding two years' time. Its marathon acquisition program has strengthened and expanded the company's regional bread baking operations and has provided distribution for its Dolly Madison cake line everywhere but in upper New England.

In one respect, I.B.C. is running in a circle. Having moved from public to largely private ownership this past year, it may once again become a public company, although not for several years. That is where chairman and chief executive Robert W. Hatch would like to take the company. Mr. Hatch led a group of I.B.C. executives in a $364-million leveraged buyout of the company this past January.

"We didn't buy this company to turn around and sell it," said Mr. Hatch, who earlier spent 21 years with General Mills, Inc., in Minneapolis. "We're here for the long haul."

One I.B.C. associate calls Mr. Hatch the Lee Iacocca of baking; certainly, the company's situation has taken a turn for the better in recent years. When Mr. Hatch joined I.B.C. in 1984 the company was closing the books on a rough year. Only a one-time, $32-million credit saved the bottom line from the effects of $13 million in losses from ongoing and discontinued operations.

By 1987, Mr. Hatch could look back on three years of improvement in operating income, sales and profit. The company also was strengthened by four acquisitions made in little more than a year's time, including Purity Baking Co., Decatur, Ill.

Major change came on the heels of fiscal 1987 results, when the I.B.C. board announced plans to look for a buyer for the company. Mr. Hatch was at the front of the line, having assembled a group of 46 I.B.C. executives, including all plant managers, who wanted to be included in a buyout

Retirement not in plans

"This was not the kind of deal where six guys buy the company, spin it out in three years and retire to Maui," Mr. Hatch said. "We always intended as a group for this to be an employe-held company that would exist long-term into the future.

"The reason we wanted the buyout was that we saw that we had a successful formula for the company. Employes worked well together, they understood our long-term plan, they could see we were making strong progress against that plan, and we thought this was something we could and should extend into the future."

The plan is unchanged from the one Mr. Hatch laid out soon after his arrival. It includes improving profitability of current businesses, redeploying nonproductive (unprofitable) operations and establishing new businesses and product lines. In the past year, for example, Dolly Madison was given a facelift and several new products were rolled out, including the test of a "Heart Healthy" white bread campaign.

Even with some strategic plant closings, the number of I.B.C. plants continues to grow and now numbers 35. Much of the increase stems from the acquisition of 10 Merita and Cotton's plants from American Bakeries Co., a $135-million transaction that was completed in the midst of the Hatch team's l.b.o.

Into new markets with purchase

The acquisition was a key one, as it provided I.B.C. with expanded distribution for its Dolly Madison line and made the company a major factor in the growing Southeast bread market. (The acquired plants are in Louisiana, Florida, South Carolina, North Carolina and Tennessee.) In keeping with I.B.C.'s policy of building regional brand names, the company continues to use the Merita, Holsum, Autumn Grain, Merita Lite and D'Italiano brand names acquired with the Merita and Cotton's plants.

Mr. Hatch is asking all 14,700 I.B.C. employes to invest in the company's future with him and other members of senior management, to become owners through the purchase of company stock in Interstate's "Partnership Plan."

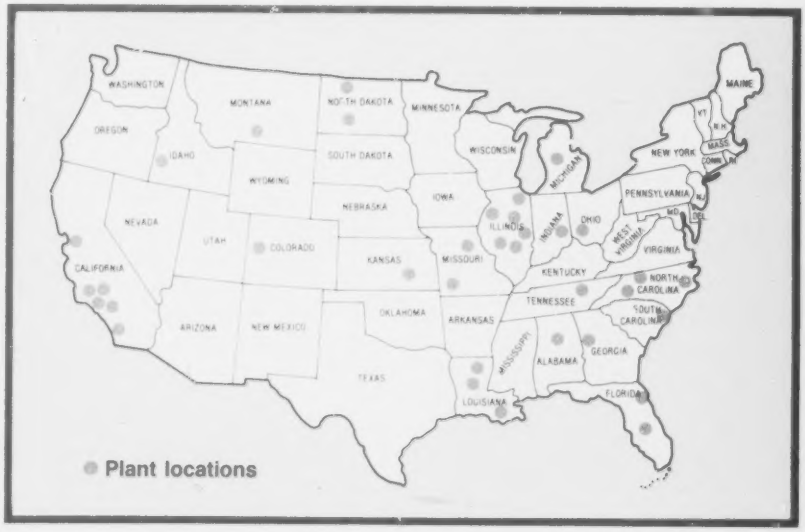
"I believe in continuity," Mr. Hatch pointed out. "As long as people in this company are doing a good job, we deserve the chance to keep building our careers and keep our roots in our community and not have to worry all the time that someone's going to sell us out tomorrow."

Vital Statistics

Ownership: I.B.C. Holdings Corp.
Headquarters: Kansas City.
Number of plants: 35.
Total employes: 7,200.
Annual sales: $855 million.
Principal products: Bread, buns, rolls, snack cakes, sweet goods, dry products.
Principal brands: Dolly Madison, Butternut, Merita, Mickey's, Webers, Millbrook, Sweetheart, Sunbeam, Cotton's, Holsum.

Marketing, Distribution

Market facts: Products sold in 137,000 stores in markets coast to coast accounting for 37% of U.S. population. Operates 650 thrift stores and delivery fleet of more than 6,000 vehicles.



Management

Officers:

Chairman, chief executive officer:
Robert W. Hatch.
Executive v.p., chief financial officer:
Ronald A. Bevacqua.
Executive v.p., marketing:
John N. Schwab.
Executive v.p., bread:
W.D. Sammons.
Executive v.p., cake:
Frank A. Fiorini.
Executive v.p., Merita/Cotton's:
Charles A. Sullivan.

Policy of non-intervention reflects delivering results for U.K. parent

THOMAS M. GARVIN and his associates at Keebler Company view the continuing changes in ownership and structure of the U.S. baking business from a unique perspective: the Elmhurst, Ill., cookie and cracker company became part of British-based United Biscuits (Holdings) P.L.C. in 1974, long before the surge in merger and acquisition activity in the United States.

"It has been a very wholesome atmosphere," said Mr. Garvin of the United Biscuits-Keebler relationship. Mr. Garvin, president and chief executive of Keebler and the parent's U.B. (Holdings) U.S. operation, added, "We have had the luxury of running a rather autonomous operation. That isn't to say that there isn't a fluid interchange on a need basis, but we don't have any bureaucratic structures that interface on a periodic basis and talk about nothing."

For that non-intervention policy to exist, Mr. Garvin pointed out, Keebler has had to deliver good results. And, deliver good results it has; it is well on its way to record results for the third consecutive year. In the first half of its current fiscal year, Keebler's profits were up 16%.

The importance of new product development to Keebler's success is apparent in that 75% of the products it has introduced in the past five years are still on the market and that two-thirds of its grocery division sales is from products not on the market five years ago. Mr. Garvin said that success reflects "a commitment for exceilence in new product activity." Pointing out that Keebler operates in mature markets where growth is largely limited to population gains, he said, "If you are going to grow in that kind of climate it is obvious that you have to take it away from somebody else. That's a very expensive proposition. We believe the most effective way to get that accomplished is through superior new product activity.

'Economics of cannibalization'

"As a full-line marketer in virtually every sector of both the cookie and cracker segments, we understand the economics of cannibalization. We take a very conservative posture on that. We continue to raise our hurdle rate so that we are only interested in bringing forward those products that have the highest probability of success in the marketplace. We use the cannibalization factor in the economics of their introduction that says it has to be a tremendously successful item to take away from the products you already have."

Keebler and United Biscuits, Mr. Garvin added, learned early on that the palates of the U.S. and U.K. consumer are so different that there would not be any successful exchange of products between the two operations. "We do keep our antennae open on both sides of the Atlantic," he said. "They are able to bring to us innovative new processes and products in Europe and the Far East and we do the same thing from the standpoint of what's new and exciting in North and South America. We take the position that if they have something that makes some sense, we can Americanize it. They do the same; they can readily adapt the product if it has some attributes that make sense."

Into snack bread, salty snacks

Keebler has expanded beyond its traditional cookie and cracker base with Elfin Loaves, a frozen snack bread product, and salty snacks. The company soon will open its first frozen product plant at Florence, Ky., and currently is expanding distribution of Elfin Loaves from supermarkets to food service outlets as well as to in-store bakeries through its custom products division.

"There is no question in my mind that the frozen baked foods category at retail needs a wide array of products in order to develop a very viable franchise, and that would take a little too long through internal development," Mr. Garvin said. "So we are looking at another avenue, and that is acquisition. It is cheaper in that instance to acquire rather than to grunt it out through internal development and take it away from somebody else."

With introduction of its Suncheros and O'Boisies product lines, Keebler views salty snacks (pretzels, potato chips and tortilla chips) as a core business. "We see continued growth in that area with tremendous synergies with some of the functional areas of the company," Mr. Garvin said. "We are delighted with the progress we have made."

Mr. Garvin also is obviously pleased with the autonomy of the Keebler operation. "It's the only way I know how to operate," he said. "I would have a great deal of difficulty with someone looking over my shoulder every moment of the day."

Vital Statistics

Ownership: United Biscuits (Holdings) P.L.C.

Headquarters: Elmhurst, Ill.

Number, location of plants: 7. California, Colorado, Georgia (2), illinois, Michigan, Ohio.

Total employes: 8,000.

Annual sales: $1.1 billion.

Marketing, Distribution

Principal products: Cookies, crackers, salty snacks, frozen snack bread.

Principal brands: Keebler, Town House, E.L. Fudge, Chips Deluxe, Zesta, Soft Batch, Elfin Loaves.

Market facts: National distribution; ranks as nation's second largest producer of cookie and crackers.

Management

Officers:

President, chief executive:
Thomas M. Garvin.
Senior v.p. finance, administration:
Charles A. Gerber.
Senior vice-presidents:
Charles L. Shemely.
Thomas J. Finn.
John J. Simoneau.
W. Thomas Hanna.
Darrell R. Splithoff.
John M. Sanderson Jr.
R.C. Marcantonio.

Cream cheese connection still works for bagels, Kraft finds

KRAFT, INC., certainly knows how to personalize products. A few years back, television commercials talked about founder J.L. Kraft delivering cheese in a horse-drawn wagon during the early years of his company. Now, four years after acquiring Lender's Bagel Bakery, Kraft has kept Murray Lender in the forefront of Lender's promotional activities.

While neither Murray nor Marvin Lender, sons of company founder Harry Lender, is active in daily management of the baking operation, both are valued consultants to the business, according to John Craig, Lender's president. Mr. Craig was named to the post in 1986 after spending the previous 10 years in marketing at Kraft.

In addition to making television commercials for Lender's, Murray Lender is involved in public relations efforts. "Lender's has a unique personality that Kraft wants to keep," Mr. Craig said. "We believe that's important to our employes, suppliers and supermarket accounts."

Lender's promotion programs traditionally have played on the family-owned nature of the business and its expansion from a local bakery founded in 1927 at New Haven, Conn., into the world's largest bagel baker.

Lender's is generally credited with bringing the bagel, once a strictly ethnic and eastern product, into national prominence. The family first began packaging bagels for supermarkets in 1958 and greatly expanded that market in 1962, when it became the first bakery in the country to produce a frozen bagel line. Freezing kept preservatives out of the product and all natural ingredients in. And freezing is what prompted Kraft's interest in acquiring Lender's, Mr. Craig said.

"The purchase strengthened Kraft's position in the frozen food business and fit (with a program) of acquiring leadership brands," Mr. Craig said. In fact, until Sara Lee introduced frozen bagels in 1985, Lender's was the only national distributor of the product. And even with Sara Lee's presence, Mr. Craig said, most bagel competition still comes from local bakeries.

'First met' over cream cheese

Kraft's interest in Lender's was sparked several years before the acquisition. Mr. Craig said the two companies "first met" over cream cheese 15 or 20 years ago. And since then, he added, "We've done lots of consumer promotions together, such as cross-couponing and newspaper ads.

"We'll continue with this and we're also experimenting with joint television commercials featuring the two products together. Murray will be the spokesman. We're airing them in test markets in Massachusetts and Georgia." Although Lender's is in every major market, the greatest sales volumes continue to be in the Northeast and Eastern seaboard.

The fast-food business is one of Lender's most recent success stories in increasing consumer familiarity with the bagel. Burger King Corp. approached Lender's in the summer of 1987 with the idea for a breakfast bagel sandwich promotion that would be limited to two months. "Later in the year, they decided to continue it and it's still going on nationally," Mr. Craig noted. Another new approach, a joint licensing agreement with San Francisco French Bread Co., was terminated last March. The agreement called for Lender's to be a co-packager and distributor of frozen Parisian brand sourdough bread.

The idea was "to leverage Lender's strengths — its manufacturing and distribution facilities and expertise in frozen," Mr. Craig explained. Although test market results were positive, the cost and complexity of producing and distributing the bread led the companies to abandon the project. No other joint licensing agreements are in the works now, according to Mr. Craig, who emphasized that the experiment was not meant to broaden the Lender's line beyond bagels.

'Want to remain bagelcentric'

"We want to remain bagelcentric, keeping our focus on our core business and paying attention to what is closest to home," he said. That approach appears to be working: In its most recent fiscal year, Lender's posted record profit on strong volume gains despite what the parent company described as "a very competitive market." Interestingly enough, promotions with Kraft's Philadelphia brand cream cheese continue to be a major factor in increasing bagel sales.

Lender's meanwhile has been expanding its bagel line and now offers 12 varieties. The newest flavor, blueberry, was test marketed more than a year ago and is now available in 70% of the country. It also has introduced a new line to compete against fresh-baked bagels. Called Big 'n Crusty, the 3-oz bagel is packaged four to a bag. The product is available in New York and Philadelphia supermarkets and in some delicatessens.

Another new concept, called Bake 'n Sell, involves production of partially baked frozen bagels for sale to bake-off operations in in-store bakeries.

Mr. Craig noted that the sales and marketing staff of Lender's was reorganized recently to focus expertise and attention on each of the three major market groups — retail, in-store and food service, such as restaurants, schools and institutions.

Lender's continues to produce its frozen bagels from four plants, including a 46,500-square-foot facility opened two years ago at Mattoon, Ill., hailed as the world's largest bagel bakery. It currently is considering sites in Connecticut and elsewhere as the possible location of a fifth plant as Lender's, and Kraft, enjoy what Mr. Craig sees as a continuing boom in the bagel market.

Lender's

Vital Statistics

Ownership: Kraft, Inc.

Headquarters: West Haven, Conn.

Founded: 1927.

Number, location of plants: 4. Connecticut (2), Illinois and New York.

Largest plant by volume: Mattoon, Ill.

Total employes: 700 plus.

Annual sales: $150 million (est.).

Marketing, Distribution

Principal product: Frozen bagels in 12 varieties.

Principal brand: Lender's.

Markets: Nationwide, primarily through frozen food brokers.

Market facts: Operates three divisions: Retail, Food Service and Bake 'n Sell (partially baked frozen bagels for bake-off in in-store bakeries). Produces more than 4.75 million bagels daily, more than 70% of all frozen bagels sold in the U.S. Subsidary of Kraft since 1984; previously was family-owned.

Management

Officers:

President:
John Craig.
Vice-president of sales and marketing:
Barry S. Ansel.
Public relations coordinator:
Carol A. Wallace.

R. Jack Lewis Jr. watches for new ideas, approaches 'to fill a need'

THE 1980'S HAVE been particularly challenging for Lewis Bros. Bakeries, Inc. With annual sales of $80 million and 1,500 employes, the company is large enough to be pressured by the same issues that face other major wholesale bakers: rising costs in distribution, marketing and product development and the need to computerize and to stay on top of other technological developments to maintain economical production.

But Lewis Bros. is also smaller than many of the wholesale bakers making up the industry's top companies in sales. That means the Evansville, Ind.-based baker has to be more creative in its approach to such issues and more selective in allocating resources. For example, market research may be important, but it isn't a heavily funded activity at Lewis. "The only way to stay on top of changing customer attitudes is to keep your eyes open," said R. Jack Lewis Jr., company president. "We can't afford tremendous research in the baking business, and that does create a problem in our industry. But basically you watch food trends.

"It wasn't difficult to see several years ago that varieties were going to grow. You saw the swing on the West coast, and then you saw the swing on the East coast. I guess the Midwest lags a little bit, but it was pretty obvious it was coming. We could see with the varieties we already had in the marketplace that we were experiencing a good deal of growth. So we observe markets, other bakers and food trends."

Watching trends paid off. The company was one of the first to successfully produce both private as well as branded label variety bread. Lewis Bros. was an early producer under the Roman Meal label and is one of the largest producers of Weight Watchers bread. It has introduced its own line of low-calorie bread as well.

Gains from computer investment

But staying abreast of another industry trend, computerization, has required a considerable capital investment from Lewis Bros. That investment in computer technology has bought consistency, accuracy and speed for Lewis Bros. All company plants are now tied to a central computer.

The company's system is used for ordering, order processing, routing, shipping, billing and production scheduling.

"We now have a great deal of consistency in extending new programs to our bakeries," Mr. Lewis said. "And the computer is valuable in interplant production and shipping. Our system takes all the orders in and sends back production orders to the various plants for various products. It produces the production demand, the ship cards, the ship sheets and the wrap sheets.

"We have some other steps we want to take with this in our bakeries. We want to get into more scheduling of doughs, of bake times, right on down the line, so when you send out the schedule to a plant everything will be laid out for them. We're still working on that now. There's no doubt that the computer has greatly helped our communications. At least now all our plants refer to each product by the same name, so it's easier for our people to understand each other."

Lewis Bros. also has tied its computer system into that of a major grocery chain in the St. Louis market, Schnuck Markets, Inc., for automated ordering. "They run their own distribution sytem and they make out the order in their computer, which downlines to our computer," Mr. Lewis said. "From there, the information is dispersed to the four plants that produce for Schnuck. So that order is transferred without paper. We are very fast in getting that order through."

Mr. Lewis is reluctant to discuss just what role that system played in expanding marketing and distribution into St. Louis, or to discuss that market at all other than to say it's very competitive. And he discounts suggestions that the presence of his products in St. Louis has led to the departure of some other wholesale bakers from that market.

St. Louis, "the Gateway to the West," is in the middle of Lewis Bros.' deep North-South distribution territory, which stretches north to Michigan and south to Alabama. Included in that area are Illinois, Indiana, Ohio, Kentucky, Tennessee, Mississippi, Arkansas and, of course, Missouri. Bread product lines include Bunny and Country Hearth. Lewis Bros. operates seven plants. In addition to its headquarters facility in Evansville, the company has production facilities at Anna, Ill.; Cape Girardeau and Sikeston, Mo.; Fort Wayne, Ind.; Murfreesboro, Tenn., and a new plant at Vincennes, Ind.

Mr. Lewis' father, R. Jack Lewis Sr., began buying out wholesale bakers in the 1940's, and since that time the company has purchased at least 40 baking companies. Sometimes Lewis acquired only routes, other times outmoded plants that it scrapped or revitalized with infusions of capital, and sales and management expertise.

'A different ball game today'

But Mr. Lewis doesn't expect further growth to follow that pattern. "It's a different ball game today," he said. "There are not that number of opportunities, and that has changed our perspective. It's also getting increasingly difficult to turn a plant around. If it has slipped in the market, it's tougher to get back its market share.

"There are just not that many wholesale bakers left, so while there may still be opportunities for growth, there aren't the same kinds of opportunities. If you're going to stay in this business, you've got to find a way to fill a need that somebody else isn't filling. And I'm not saying we're going to stay 100% in wholesale baking. We've got to look at other opportunities where we'd be cost-effective."

Lewis

Vital Statistics

Ownership: Private.
Headquarters: Evansville, Ind.
Number, location of plants: 7. Illinois, Indiana (3), Missouri (2), Tennessee.
Total employes: 1,500.
Annual sales: $80 million.

Marketing, Distribution

Principal products: Bread, buns, rolls, English muffins, sweet goods.
Principal brands: Bunny, Country Hearth, Holsum, Lewis.
Markets: Below Upper Peninsula of Michigan to northern Alabama and Mississippi.

Management

Officers:
Chairman:
R.J. Lewis Sr.
President, chief executive:
R. Jack Lewis Jr.
Executive vice-president:
Henry Yoos.
Secretary-treasurer:
Leroy Williams.
Vice-president, finance:
Rodger L. Lesh.
Vice-president, production:
William Farris.
Vice-president, human resources:
Richard Ellspermann.
Vice-president, engineering:
George Mitchem.
Director of marketing:
Elizabeth Lewis.

Family clout backs philosophy of independence in era of mergers

IMPERSONATING Ellsworth McKee, president and chief executive officer of McKee Baking Co., might be a real challenge for even so talented a mimic as Rich Little, who for the past three years has touted the Little Debbie brand of McKee Baking in a variety of voices, including actor Jimmy Stewart.

Reticent in conversation, Mr. McKee waives the opportunity to boast about his company's celebrity spokesman. "The idea to use him just sort of evolved between our marketing people and our advertising agency in Birmingham," he said.

The McKee campaign was a joint creative effort of the marketing department at McKee and Luckie Advertising Agency. Rich Little films three commercials a year for the Collegedale, Tenn.-based company. The commercials are shown in regional markets around the country.

"We don't have any long-range plans to continue with the commercials," Mr. McKee said, "but we probably will."

Although the company has introduced a host of new products in recent years, the commercials tend to support the Little Debbie brand rather than any specific products in that line.

Little Debbie brand nears 30th year

Little Debbie, introduced in 1960, is the company's oldest and most successful brand. Sunbelt, a line of granola bars and peanut butter wafers, was rolled out in 1981. Sunbelt sales were slow at first, Mr. McKee said, attributing it to the company's use of independent distributors. "It takes them longer to accept a new product," he explained. (There are only 10 company-owned routes.)

Sunbelt sales are going well now. Introduced initially in supermarkets in family packs, Sunbelt now has individual bars for convenience store distribution. Mr. McKee said the product has been well received.

In fact, convenience stores have provided McKee with market expansion for Little Debbie as well, a brand carried in 41 states. In 1980, the company made a radical departure from its family pack and introduced an individual line of Little Debbie cakes to convenience stores.

In addition to the oatmeal creme pie, the company's oldest continuous product, 15 to 20 Little Debbie Snack packs are now sold in convenience stores.

The family package remains the company's greatest sales generator. Recent additions include Little Debbie Fancy Cakes, a light, white layer cake similar to petit fours, and chocolate cakes. Each line is packaged 10 to a carton.

More recently, this past May, the company introduced a Little Debbie Snack Favorite line that includes peanut clusters, Caravellas, Golden Cremes and Devil Cremes. Each comes in a family pack.

Family is not only the backbone of packaging and marketing, but of management as well. There are almost as many McKees at the privately owned company as there are varieties in the Sunbelt line. Founder and chairman O.D. McKee, at age 83, remains active. His wife, Ruth, is vice-chairman. In addition to sons Ellsworth and Jack (executive vice-president), management includes Debra (a granddaughter of the founders and namesake of the Little Debbie brand), and several of her siblings and cousins.

With that kind of family clout, it's relatively easy to remain independent in an era of mergers and consolidations, Ellsworth McKee noted. "There's no way we can be forced to sell," he said. Staying independent is indeed part of the family philosophy. "We feel like our people are happier knowing who owns the business," he added. "And our management people feel better knowing who's going to be with them tomorrow."

Emphasis beyond family ownership

The emphasis on family extends beyond the McKee clan. In the mid-1960's, the company purchased a campground complete with swimming pool, cabins, trailer sites tennis courts and ball fields. Use of the camp was opened to employes and their families.

Gradually, the concept of family fun evolved into family fitness. McKee's headquarters and principal plant at Collegedale has a health center that includes Nautilus-style workout equipment; courts for basketball, volleyball and handball; two softball fields, and two swimming pools. The company's second plant, at Gentry, Ark., has a swimming pool and weight equipment.

More recently, McKee has introduced such wellness programs as stop-smoking clinics and weight-loss and stress-management classes. The concern with health is partly based in the McKee family religion, Seventh Day Adventist.

"We believe in a healthy diet and healthy living," Ellsworth McKee said. "We avoid any unnecessary drugs like nicotine and caffeine. Of course, if you have to drive all night, you might have to make an exception for caffeine," he quipped.

O.D. McKee sets quite an example for his employes. He still jogs and recently was heard to say, "I hover over research and development and do a lot of tasting. But I don't do much eating."

Luckily for the family business, not all Americans are so restrained when it comes to sweets. With sales in 1987 reaching $300 million, McKee is moving ahead with plans for a third plant, this one outside Tennessee on a 240-acre tract at Stuarts Draft, Va.

"We chose the site because it's close enough to Tennessee for us to haul products to the Northeast and the East coast," Ellsworth McKee said. "It should be finished by 1990. We're building it for projected growth." (Sales have increased 10% to 15% annually for the past 25 years.)

Little Debbie®

Vital Statistics

Ownership: Private.

Headquarters: Collegedale, Tenn.

Founded: 1934.

Number, location of plants: 2. Arkansas, Tennessee.

Total employes: 2,500.

Annual sales: $300 million.

Marketing, Distribution

Principal product: Snack cakes, snack bars.

Principal brands: Little Debbie, Sunbelt.

Markets: 41 states.

Market facts: Produces more than 30 varieties, with distribution primarily through independent distributors. Third plant now under construction at Stuarts Draft, Va.

Management

Officers:

Chairman:
O.D. McKee.
Vice-chairman:
Ruth McKee.
President, chief executive officer:
Ellsworth McKee.
Executive v.p., chief operating officer:
Jack C. McKee.
Senior vice-president:
John A. Phillips.

Family trio and baking newcomer see room to grow with merger

GEOGRAPHY IS NOT a favorite subject of William C. Metz. The freeways have ruined California; the oldsters have overrun Florida, grouses the 67-year-old chairman of Metz Baking Co., Sioux City, Iowa. The question of where to go on vacation brings a chuckle, and a brief tribute to the briskness of Boston, which Mr. Metz visited recently on business. "So many young people, so much going on," he observed.

But it's the geography closer to home that has most concerned Mr. Metz. "We're looking at a 4% to 5% population drop by the year 2000," he said of the company's principal distribution area in the Midwest and near West. "That's a signal for us to be flexible as we keep searching for ways to grow while remaining low-cost producers."

Merger with R.T. Holding subsidiary

Metz Baking may have found the way to that growth in its recent merger with Amber Baking Inc. (formerly Heileman Baking Co.), a subsidiary of R.T. Holding S.A., Tienne, Belgium, which has made selective investments in family-owned baking companies in the United States. The new Metz Baking — owned jointly by the Metz family and R.T. Holding — meets both partners' objective of becoming a strong regional player in wholesale baking.

Mr. Metz left the merger decision to his sons — William H. Metz, vice-chairman and chief executive officer, and Henry J. Metz, president and chief operating officer. "Dad's position was that the future of the company was in the hands of Bill and me," Henry Metz said after the merger was completed. "The decision in his own mind was that if the merger was what Bill and I wanted to do, he would support it 100%."

In addition to the growth opportunities presented by the merger, R.T. Holding's preference to remain "passive" from the management standpoint was attractive to the Metz trio. All three continue in the positions they held prior to the merger.

Metz has been exploring a number of other growth avenues, including custom baking. Over the past two years, it has contracted for nearly a half-dozen custom products, including seasoned bread cubes, buns for Kentucky Fried Chicken, a biscuit for a company introducing a frozen sandwich (the Metz chairman declined to elaborate on the customer), and frozen hamburger and coney dog buns. "I can't tell you what the potential is in this," William C. Metz said. "It's a bit like private label baking was back in '54."

On another expansion possibility, Mr. Metz is less equivocal. "I can guarantee you we won't do any more retail shops," he said. "We can't seem to figure out how to operate them, or what the consumer wants." The company has opened two retail bake shops called The Bread Basket to offer "trendy" products such as croissants, baguettes and whole-grain hearth-baked items and at one time hoped to operate as many as 18 of the units. But Mr. Metz takes a dim view of the enterprise. "We're wholesalers," he said. "We don't know the retail business."

Obtaining larger share of market

Mr. Metz believes Metz Baking's greatest growth potential is in obtaining a larger share of the market — a market that has been considerably enlarged with the addition of the former Heileman Baking operations — and in improving profits by controlling costs. To that end, Metz Baking, which 10 years ago operated 17 plants, has reduced that number to 11 (in Iowa, Minnesota, Nebraska, South Dakota and Utah) without cutting back on distribution. The merger with Amber Baking brought 12 more plants into the Metz system (in Iowa, Michigan, Minnesota, Missouri and Wisconsin).

Metz currently is building a new 155,000-square-foot plant at Bellevue, Neb., to replace an older facility at nearby Omaha. The $16-million plant is not the end of Metz's efforts to increase productivity. It plans to expand its Beatrice, Neb., plant, which produces the nationally distributed Grandma's Fruit Cake line. Plant consolidation and modernization programs have saved the company a considerable sum of money, according to Mr. Metz. While he declined to be precise, he said savings have run into the seven-figure range.

"My boys grew up and grew into the business," Mr. Metz added. "They're baking executives; that is, they know about running this business."

With a younger generation stepping in and a larger Metz Baking Co., William C. Metz doesn't have to travel as far as Boston to feel a sense of excitement in the air.

Vital Statistics

Ownership: Metz family/R.T. Holding S.A.

Headquarters: Sioux City, Iowa.

Number, location of plants: 23. Illinois (2), Iowa (2), Minnesota (3), Michigan (2), Missouri, Nebraska (4), South Dakota (3), Wisconsin (5), Utah.

Total employes: 6,700.

Annual sales: $450 million.

Marketing, Distribution

Principal products: Bread, rolls, buns, snack cakes, sweet goods, English muffins, fruit cake.

Principal brands: Old Home, Nature's Harvest, Peter Pan, Grandma's Fruit Cake, Holsum, Hudson Bay Milling, Golden Hearth, Egekvist, Emrich, Gardner, Taystee, Autumn Grain, D'Italiano, Mickey.

Markets: Bread and cake product distribution in Midwest, Upper Midwest and West; fruit cake distribution nationally.

Routes: 1,700.

Management

Officers:

Chairman:
William C. Metz.

Vice-chairman, chief executive officer:
William H. Metz.

President, chief operating officer:
Henry J. Metz.

President, Invus Group:
Raymond Debbane.

After name changes and mergers, cookie leader retains top rank

FEW BAKING COMPANIES have undergone more profound change in recent years than Nabisco Biscuit Co., an operating company of Nabisco Brands, Inc., which in turn is part of RJR Nabisco, Inc. Although it has been through two mergers and several name changes, there is one constant — 90-year-old Nabisco remains as the world's largest producer of cookies and crackers.

One of the most important chapters in Nabisco's corporate history began in 1981, when its parent, Nabisco, Inc., merged with Standard Brands Inc. to create Nabisco Brands. The ensuing four years, according to one Nabisco executive, were marked by intense streamlining as F. Ross Johnson, president and chief operating officer, molded the companies "into a good fit."

Chapter II began in 1985, when Nabisco Brands was acquired by R.J. Reynolds Industries, Inc., creating the present RJR Nabisco, Inc. "That," said Caroline Fee, manager of media relations for Nabisco Brands, "definitely made us a major player in the consumer products industry."

Mr. Johnson, now chief executive of RJR Nabisco (labeled as "America's Toughest Marketing Man" and "The Tough Cookie at RJR Nabisco" in a recent cover story in *Fortune* magazine) is credited by fellow Nabisco executives with bringing a new aggressiveness to the company's marketing approach. That aggressiveness was evident in Nabisco's roll-out of its Almost Home soft cookie line during the "Great Cookie War," and more recently in the largest new product initiative in its history — the simultaneous introduction of 18 line extensions under the umbrella theme of "New Stars from Nabisco." Fudge-Covered Oreos and Ritz Bits are the big winners in that "New Stars" campaign. While Nabisco has not released figures on the amount spent in research and development for the new products, it allocated $100 million in advertising, coupon and trade promotion support.

Three major areas of growth

"I don't know if we will continue to introduce new products at that same pace, but we do have three major areas targeted for growth," Ms. Fee of Nabisco Brands said. Those areas were identified as line extensions of strong brand franchises; new products and new packaging forms that allow products to be consumed in different ways, and new products to match changing lifestyles. Examples of new products in the first category are Fudge-Covered Oreo cookies and Oreo Big Stuf, a three-inch cookie that also qualifies for inclusion in Nabisco's second growth category of new package forms. In addition, it has introduced a variety pack of three flavors of Newtons; each is individually sealed. New bite-sized products are Ritz Bits and Quackers crackers, and Teddy Grahams cookies.

RJR Nabisco also is channeling the company's energies overseas, focusing on two largely untapped markets. In the Soviet Union, it is exploring joint venture opportunities involving both its tobacco and food businesses. In the People's Republic of China, a joint venture, Yili-Nabisco Biscuit and Food Co. Ltd., started up baking operations in Beijing in June. The $9-million plant has annual production capacity of 6,000 tons.

Major investment in plants

At the same time, Nabisco is expanding and modernizing its domestic capacity. Under construction near Raleigh, N.C., is a $600-million high-technology cookie and cracker plant that is the first new baking plant to be built by Nabisco since 1973. There's more to come: RJR Nabisco plans to spend $5 billion over the next three years on its plants, most of it in food.

Nabisco Brands in June implemented a new organizational alignment under which it will operate largely as a holding company with four relatively autonomous, free-standing operating companies, including the renamed Nabisco Biscuit Co., formerly the Biscuit Division of Nabisco Brands. Under this decentralization program, announced by H. John Greeniaus, president and chief executive of Nabisco Brands, the 2,000-member corporate staff will be reduced to 400 persons, with most of the employes reassigned to the operating companies.

Despite the decentralization, Mr. Greeniaus is expected to be more involved in the strategic direction of Nabisco Biscuit with Ellen R. Marram, president, in light of the recent decision by Peter N. Rogers, chairman of the cookie and cracker business, to leave the company at the end of this year.

NABISCO BRANDS INC

Vital Statistics

Ownership: RJR Nabisco, Inc.

Headquarters: East Hanover, N.J.

Founded: 1898.

Number, location of plants: 9. California, Georgia, Illinois, New Jersey, Oregon, Pennsylvania (2), Texas, Virginia.

Annual sales: $2 billion.

Marketing, Distribution

Principal products: Cookies, crackers.

Principal brands: Oreo, Newtons, Chips Ahoy!, Nilla Wafers, Teddy Grahams cookies; Ritz, Premium, Triscuit, American Classic, Wheat Thins crackers.

Market facts: Largest producer of cookies and crackers in United States, Canada and worldwide. National distribution in U.S. through company route salesmen. Oreo brand is world's best-selling cookie; Ritz is world's best-selling cracker. Canadian subsidiary operates five plants. Construction of tenth U.S. plant under way near Raleigh, N.C.

Management

Officers:

President, c.e.o., Nabisco Brands:
H. John Greeniaus.

Chairman, c.e.o., Nabisco Biscuit:
Peter N. Rogers.

President, Nabisco Biscuit:
Ellen R. Marram.

With young management team and veteran advisers, Nissen grows

J. MARK KOSHLIEK isn't going to look a gift horse in the mouth. He's not sure why the New England economy is booming and can't point to any statistics that confirm that it is. But he knows what's happening to business at John J. Nissen Baking Co., and he likes what he sees, even when it's a bit of an inconvenience.

For example, this past summer, it was tough to find temporary employes to augment the company's year-round workforce of 1,300. "Even some of the fast-food restaurants were closing their drive-up windows because they couldn't find enough people to fill the jobs," said Mr. Koshliek, Nissen's vice-president and chief operating officer.

The unusually warm weather had spurred New England's tourist trade, which in turn benefits Nissen. But business was good long before last summer. In the past five years, the Portland, Maine-based company has opened 30 additional distribution routes, mining more business out of its existing territory and increasing its total routes to 420.

Tradition of expanding territory

Seeking out new customers in new areas is something of a tradition at Nissen. Mr. Koshliek and other descendants of Jurgen J. Nissen, a Danish immigrant who founded the company nearly a century ago, credit him with being the first baker in Maine to envision selling product beyond a range negotiable by horse and buggy. "He rode the rail lines all over New England with his product," Mr. Koshliek said. "He found a good market in railroad employes and workers in the paper mills and logging camps along the rail lines."

Nissen now is one of New England's largest bakers, distributing product from Maine south to Connecticut.

Sales of cakes and fine desserts are up, a development that seems to go hand-in-hand with an upturn in the economy, Mr. Koshliek said. Some of the company's most successful products in this area have been reintroductions of items that were popular years ago, like apple nuggets, he said. Another old/new favorite, turnovers, will be marketed soon.

Mr. Koshliek believes formula changes in some of the company's sweet dough items, such as cinnamon buns, coffee cakes and raspberry buns, have helped to push sales figures for these products "right off the charts. And overall in the company, we've tightened quality control and increased our quality awareness efforts."

Increase in advertising, marketing

Sales of white and variety bread also are growing. Over the past five years, Nissen has increased its advertising and marketing budget by 50%, with much of the funding going to emphasize the company's brand name labels.

One of the most successful of those labels in recent years has been Nissen Canadian brown bread, and Mr. Koshliek noted that Nissen bootstrapped on that product a white variety that is now available in some restaurants as well as supermarkets. Also in the Canadian line, the company has just introduced a stone-ground variety.

"These are full-sized [22-oz] loaves and it's a hearty bread," Mr. Koshliek said of the Canadian line, adding, "We are capitalizing on that in our advertising." Nissen advertising is featuring former Boston Red Sox star Ted Williams in an outdoor setting.

Variety bread leads unit volume

Eighty-eight per cent of Nissen products are sold under the company label, and of that bread and rolls account for 65% of volume. Variety bread continues to lead the way, now accounting for at least 60% of unit bread sales. "When I started with the company," Mr. Koshliek said, "our sales were about 65/35 white bread to variety."

To further increase white bread sales, Nissen redesigned the packaging on all of its premium white bread brands and rolls early this year. "That redesign was well-received, but it didn't produce the blockbuster results we'd hoped for," Mr. Koshliek acknowledged. "The big problem is that white bread is perceived by the public as less healthy than variety bread. We've yet to address this in our advertising."

Even while expanding its distribution area in recent years, Nissen has consolidated production into fewer plants. Five years ago, Nissen operated seven plants; through modernization and conversion of one plant from continuous to conventional mix, five plants now provide needed capacity. The plants are located at Portland and Brewer, Maine; New Bedford and Worcester, Mass., and Central Falls, R.I.

Nissen does considerable private label production for major supermarket chains in the Northeast.

Has young management team

With daily management responsibilities at Nissen shared since mid-1986 by Mr. Koshliek and John J. Nissen, vice-president and chief operating officer/sales and marketing, the Koshliek-Nissen management team at Nissen Baking is one of the youngest in the industry. Both Mr. Koshliek and Mr. Nissen are graduates of the University of Maine; Mr. Koshliek also received a law degree from Northern Illinois University. The team is backed up by a corps of Nissen veterans, including John R. Nissen, chairman (Mr. Koshliek's uncle and John J. Nissen's father), and Charlotte Nissen Adams, president of the family-owned company. The Nissen chairman seems satisfied with the way his son and nephew are handling the company. Shortly after the transition he was quoted as saying, "Nowadays I leave at noon and get on my boat."

J.J.Nissen

Vital Statistics

Ownership: Private.
Headquarters: Portland, Maine.
Founded: 1898.
Number, location of plants: 5. Maine (2), Massachusetts (2), Rhode Island.
Total employes: 1,300.
Annual sales: $125 million.

Marketing, Distribution

Principal products: Bread, rolls, buns, muffins, sweet goods.
Principal brands: J.J. Nissen, Nissen Canadian, Nissen Light.
Market: New England.
Market facts: Operates 420 sales routes and 34 distribution depots.

Management

Officers:
Chairman:
John R. Nissen.
President:
Charlotte Nissen Adams.
Vice-president, chief operating officer/operations:
J. Mark Koshliek.
Vice-president, chief operating officer/sales and marketing:
John J. Nissen.
Vice-president, sales and marketing:
J. Gordon Woodworth.

Firm footing regained through new product ventures, plant spending

AFTER A FEW ROUGH YEARS in the early 1980's when it stumbled through a spate of unsuccessful new product introductions, Pepperidge Farm, Inc., has firmly regained its footing. "One of the most significant developments of the past few years," said president and chief executive Richard A. Shea, "is that sales are up 50% and earnings have doubled."

That's no small accomplishment considering the explosion of new products that has rocked the premium variety bread market in recent years, threatening the Norwalk, Conn.-based baking company's longtime dominance of this product category. Mr. Shea, named to his current post in 1984, credits the gains to aggressive marketing and correct reading of the marketplace.

"We are niche marketers," Mr. Shea said. "We're in the premium end of the business, and we try to be on the leading edge. To do that, you need to find out what the consumer wants even before the consumer is aware of it."

One of the company's hottest new products is the American Collection cookie line, singled out as one of the 10 best new products of 1987 by the American Marketing Association. Slightly larger than other Pepperidge Farm cookies, the line includes five varieties. Two other best-selling new products are Five Star Fibre Bread and American Collection frozen desserts.

Five Star Fibre Bread, which contains fiber from five sources, is available in the eastern states; production limitations have prevented its introduction in the Southwest and West. "With five grams of fiber [per serving], there's not another product like it on the market," Mr. Shea said.

Pepperidge Farm has supported the new product with a strong marketing campaign that includes two-page magazine spreads and a free booklet for consumers, "Dietary Fiber Guide and Personal Fitness Plan."

First to use health claims

With introduction of the new high-fiber bread, Pepperidge Farm became the first wholesale baker to use health claims, citing National Cancer Institute diet recommendations. Mr. Shea said the company will probably expand use of health claims to other company products as appropriate.

Packaging used to introduce the high-fiber bread — four-slice trial packages — proved to be such a big hit with consumers that it was extended to Pepperidge Farm's cinnamon and oatmeal loaves earlier this year. "This packaging is still experimental," Mr. Shea emphasized. In addition to changes in production and packaging, the company faces bread size standards that vary from state to state, he explained. "We and the American Bakers Association are working with various states so their standards will conform to a national standard," Mr. Shea pointed out, noting that this would allow increased production and marketing of nontraditional loaf sizes.

Pepperidge Farm is addressing the demand for downsized products with a single-serving dessert line, a spin-off of the American Collection frozen desserts. It also is trying to capitalize on the dining-out market with three restaurants — in Philadelphia, Hartford and Danbury, Conn. — that sell Pepperidge Farm products as well as soups and salads of the parent company. "The jury is still out, but so far they're doing well," Mr. Shea said. "Our target market is women in the over-35 age group, the same as for our other products."

Elevated to separate divison

Pepperidge Farm in August became an independent division of Campbell Soup Co., which had operated the company as a "business unit" since its acquisition in 1961. As part of the realignment, Mr. Shea reports to the chief financial officer at the parent company. While the new structure will not dramatically change Pepperidge Farm's operations, Mr. Shea said the relationship with the chief financial officer comes at an opportune time, as Pepperidge Farm is in the midst of a capital improvements program that will require a considerable allocation of funds.

"We are spending a lot of money now on new plant and equipment," Mr. Shea pointed out. "Our newest plant at Lakeland, Fla., is state-of-the-art in computerized systems and automated equipment. We are now negotiating for land to build a plant near our existing facility at Downington, Pa." The latter project will involve construction of another state-of-the-art plant with an estimated 455,000 square feet of space.

Vital Statistics

Ownership: Campbell Soup Co.

Headquarters: Norwalk, Conn.

Founded: 1937.

Number, location of plants: 8. Connecticut, Florida, Illinois, Ohio, Pennsylvania, South Carolina, Texas, Utah.

Total employes: 5,000.

Annual sales: $493 million.

Marketing, Distribution

Principal products: Bread, cookies, crackers, frozen dough and frozen foods.

Principal brands: Pepperidge Farm, American Collection, Five Star Fibre Bread.

Market facts: National distribution through more than 2,000 independent distributors. Operates 83 thrift stores.

Management

Officers:

President:
Richard A. Shea.

Chief financial officer:
A. Massari.

Vice-president, bakery:
C.V. McCarthy.

Vice-president, biscuit:
David Albright.

Vice-president, corporate relations:
J.E. Tierney.

Convenience store market viewed as segment with growth potential

PRODUCT DIVERSIFICATION is nothing new at Rich Products Corp. "We believe that growth and success is a matter of variety, and research is what drives us now," said John E. Schaible II, senior vice-president of Rich's Bakery Division. Indeed, in the past five years the Buffalo, N.Y.-based company has poured millions of dollars into research to develop new processes as well as new products.

Founded in 1945 as a one-item frozen foods company (Rich's Whip Topping), Rich Products over the years has developed a line of products that numbers in the hundreds, in frozen baked foods, frozen dough products and ingredients. It currently operates four frozen baked food plants and four frozen dough plants.

Rich's principal move into baking came with the 1969 purchase of Elm Tree Baking Co., Appleton, Wis., a major frozen baked foods producer and one of the nation's largest producers of frozen bread dough. Until then, Rich was focusing on frozen non-dairy specialty products. It later acquired Palmer Frozen Foods, a regional producer of frozen baked foods, and Tennessee Doughnut Co.

The Bakery Division of Rich has annual sales of $230 million, including $50 million in products for the company's Foodservice Division. The company markets a full line of frozen products to supermarkets, retail, wholesale and in-store bakers as well as specialty shops and convenience stores.

Both the Bakery and Foodservice divisions have averaged nearly 8% annual growth rates over the past four years. Nearly all of that reflects internal expansion rather than growth through acquisition.

"Prices for food companies as a multiple of earnings were just too high until the stock market decline last October," Mr. Schaible noted. "In the past year, we did purchase one company, Colso Products, Inc., in Hilliard, Ohio." Colso is a producer of icings, glazings and dry mixes for bakers and food service. While Rich will continue to watch for acquisitions, Mr. Schaible pointed out that "we are keeping the emphasis on internal growth. We are spending about $17 million to create a research center near our headquarters."

Through its own research staff of 60 persons, Rich has turned out a string of successful new products ranging from creme icings to frozen pies, pre-fried donuts and puff pastry. "We made a major capital commitment in developing pre-fried donuts," Mr. Schaible pointed out. Rich's has positioned its EverFresh donut line — which can be heated in a conventional or microwave oven, or served without heating after thawing — in the frozen breakfast foods section of supermarkets.

Emphasis on convenience stores

With freezer space in traditional supermarkets increasingly tight, Rich has expanded its marketing efforts directed at convenience stores. Mr. Schaible believes that the convenience store represents tremendous growth potential for Rich's and at the same time notes that it is a market where needs vary greatly from store to store.

"We have learned that there is no 'typical' convenience store," Mr. Schaible said. "Some are staffed up to the point that they can operate almost like an in-store bakery. Others may have only one clerk on duty.

"So we have developed four different programs for convenience stores. One offers pre-wrapped products for sale. A second provides products that only need to be thawed before serving; a third requires baking. The fourth is for a more complete bakery program that calls for thawing, proofing and baking. Essentially, Rich is selling operational programs, product programs and merchandising and promotion programs. The store selects an operational program and then we supply the products and the rest of the program."

'It's a moving target'

One emerging trend of particular interest to Rich's is that convenience stores are becoming larger, which means that they should be able to handle a larger bakery operation, Mr. Schaible said. "But it's a moving target," he added. "As they become larger, they seem to run into problems many fast-food operations have; that is, they have trouble finding staff to process the products. That may mean we have to make our products as simple to process and sell as possible.

"Yet we want to be careful not to fall into the fast-food category. We have to find a way to keep some of the romance, that sniff-and-sell atmosphere that you get when you walk into a bake shop."

Though many large convenience store operations have units across the country, Rich markets to this segment on a regional basis. "With a chain, what usually happens is one or two geographic divisions will try our products first," he explained. "It's sort of a kick-the-tires test. And if it works for them, then other divisions will order from us as well. We believe we have just scratched the surface of this market."

An estimated 40% of Rich's products is delivered by its own trucking company — R.I.C.H. Refrigerated International Cargo Haulers. Formed by Rich in 1981 after deregulation of the trucking industry, the subsidiary also transports products for other companies. "This helped turn what had been a cost center into a profit center," Mr. Schaible noted. "In the future, it may become more costly to operate. I think we'll always have a low distribution cost as a percentage of sales. But I don't know if we can maintain the transportation company as a profit center. We have to make sure that our desire for profits doesn't interfere with our ability to provide good service to our customers."

RICH'S

Vital Statistics

Ownership: Private.

Founded: 1945.

Headquarters: Buffalo, N.Y.

Number, location of bread plants: 4. Michigan, New Jersey, Pennsylvania, Tennessee.

Total employes: 5,400.

Annual sales: $230 million.

Marketing, Distribution

Principal products: Frozen bread, rolls, sweet goods; frozen dough.

Principal brands: Rich's, Ever Fresh.

Market facts: National distribution. Company also operates frozen dough manufacturing plants in California, Tennessee, Virginia and Wisconsin.

Management

Officers:

Chairman:
Robert E. Rich.

President:
Robert E. Rich Jr.

Executive vice-president:
Herbert R. Kusche.

Senior vice-president, bakery division:
John E. Schaible II.

Manager of advertising, promotions:
Judith M. Striegel.

Bay area sourdough bread bakers in control with 'silent partner'

IN AN AREA LONG FAMOUS for its sourdough bread and where competing brands have partisans who are both loyal and opinionated, singling out one's favorite in casual company can be risky business. And while most Bay area consumers are familiar with the Boudin, Colombo, Parisian and Toscana labels there is little, if any, awareness of the San Francisco French Bread Co. name, the parent of all four brands.

Boudin, the oldest of the four brands, has been around since 1849. Parisian has been in business since 1856, and both Colombo and Toscana were in business before the turn of the century. In contrast, the Oakland-based San Francisco French Bread Co. is a mere four years old as the successor of the four older companies.

Formation of San Francisco French Bread followed a series of consolidation moves in the Bay area sourdough bread business, beginning with the merger of Colombo and Toscana in 1972. Soon after Parisian joined Toscana-Colombo in 1982, a national frozen dough producer offered to purchase the entire group.

But Steven Giraudo Sr., then head of Boudin's, and his two sons, Steven Giraudo Jr. and Louis Giraudo, came up with another idea — a leveraged buyout to combine the Boudin's and Colombo-Toscana-Parisian operations. "We didn't think being owned by a company outside the area would be good for the overall business," said Louis Giraudo, who at the time of the 1984 buyout was an attorney whose clients included several northern California baking companies. Mr. Giraudo is now chairman and chief executive of San Francisco French Bread; his brother Steven is chief operating officer. Their father is responsible for producing the bread for Boudin's retail bakery/cafe outlets.

The ink was hardly dry on the buyout agreement when Mr. Giraudo decided to sell an undisclosed interest in the new company to Invus Group, the U.S. affiliate of R.T. Holding S.A., a privately held Belgian company. R.T. Holding later made a similar investment in Gai's Seattle French Baking Co. and acquired Heileman Baking Co.; the latter was merged with Metz Baking Co.

Agreement with 'silent partner'

San Francisco French Bread's agreement with R.T. Holding, whom Mr. Giraudo refers to as "a silent partner," retains local control of the sourdough French bread business. In contrast, the other acquisition proposal involved a complete buyout, he said.

"I'm here to stay," Mr. Giraudo said. "I wanted a partner whose thoughts are aligned with mine in terms of growth and the risks you have to take to achieve it. I wanted someone who could think beyond northern California."

Northern California grocers and food service customers currently represent the bulk of San Francisco French Bread's fresh wholesale business. Frozen bread, which accounts for about 10% of total company volume, is distributed in seven western states, in Washington, D.C., and in parts of Florida, Illinois, Maryland and New York.

Short-lived venture with Kraft

A joint venture in 1986 with Kraft, Inc., to expand San Francisco French Bread distribution was short-lived because national distribution from California proved impractical. "We have to have production facilities closer to the markets," Mr. Giraudo said.

San Francisco French Bread is broadening its product line through an affiliation with the Laura Todd retail cookie operation. Mr. Giraudo envisions Laura Todd becoming a more complete dessert store with the addition of chocolates to be supplied by an outside company. San Francisco French Bread currently operates three stores under the Laura Todd name and 20 under the name of Boudin Bakeries.

With plans to open 89 to 100 retail stores over the next five years, Mr. Giraudo believes the company's annual sales should reach $250 million to $300 million.

Mr. Giraudo recently discovered that packaging as well as flavor are important to true aficionados of sourdough bread. A redesign in the Toscano bread package brought a flood of complaints from loyal customers and a quick, dramatic drop in market share for the brand. With feedback from supermarkets and route salesmen, the company quickly redesigned the redesign. In areas where Toscano doesn't compete with Parisian or Colombo, sales shot up as much as 23%. "We think we just about have all of our core customers back," Mr. Giraudo observed.

Vital Statistics

Ownership: Private/R.T. Holding S.A.
Headquarters: Oakland, Calif.
Number, location of plants: 11. California (10), Illinois.
Total employes: 1,200.
Founded: 1984.
Annual sales: $110 million (est.)

Marketing, Distribution

Principal products: Sourdough and sweet French bread and rolls, cookies.
Principal brands: Boudin, Colombo, Parisian, Toscana.
Markets: Fresh product marketed in California; frozen product sold in seven western states. Washington, D.C., and parts of Florida, Illinois, Maryland and New York.
Market facts: Operates 26 retail stores under Boudin Bakeries, Laura Todd names. Bulk of wholesale business is in northern California supermarket and food service markets.

Management

Officers:

Chairman, chief executive officer:
Louis Giraudo.

Chief operating officer:
Steven Giraudo Jr.

Chief financial officer:
Sharon Duvall.

New products target retail, food service and in-store markets

THE GRANDE DAME of frozen baked foods, Kitchens of Sara Lee, and the premier pie baker from Traverse City, Mich., Chef Pierre, Inc., recently merged into a single company in a match arranged by their mutual parent, Sara Lee Corp. And it seems, so far, nobody doesn't like the new arrangement.

Now operating as Sara Lee Bakery, both companies have realized efficiencies in advertising and marketing, sales and distribution, and research and development. This has helped to minimize the duplication of efforts that arose from two companies operating separately in the same market.

Shortly after integration of Kitchens of Sara Lee and Chef Pierre, Thomas D. MacLeod, chief executive officer of the new entity, announced that three executives would join him in new management posts: Oreste J. Boscia as executive vice-president, operations; T. Patrick Costello, president, Retail Division, and Robert A. Iverson, president, Foodservice Division. Noting that the three executives have 35 years' collective experience with Sara Lee, Mr. MacLeod said, "These appointments, along with structural changes in the organization, allow us to focus resources more effectively in each channel of business and substantially reduce our operating costs."

Since the integration, Sara Lee Bakery has been gaining ground in the food service area, where the Chef Pierre brand is strong. Chef Pierre's plants in Michigan and Mississippi are now turning out products under the Sara Lee brand, and through Sara Lee's national distribution network, Chef Pierre has been introduced to new food service markets. It is the food service segment of the business that currently offers the greatest growth potential for Sara Lee Bakery. The company now has Chef Pierre pies and pastry-encased meals to offer in addition to the well-known Sara Lee lines of gourmet desserts, pastries, rolls, cakes, bagels and muffins.

Unit volume up 10% in year

In the fiscal year ended in July, Sara Lee Bakery posted a unit volume gain of 10% for the year, with double-digit sales increases in its food service operation. Food service sales have been bolstered by two life style trends that Sara Lee Bakery is capitalizing on: the continuing increase in away-from-home eating, and the consumer demand for lighter, higher quality food. With gourmet lines in pies, cinnamon rolls and other products, Sara Lee Bakery is positioned to appeal to a more refined palate. And its pastry meals, muffins and bagels are targeted to health- and weight-conscious consumers.

Of all new products introduced recently by Sara Lee Bakery, the success rate of its bagels stands out. The Sara Lee bagel line achieved a 19% dollar share of the frozen bagel market its first year out and recorded double-digit volume growth the past two years. Sara Lee introduced that product category, along with muffins and croissants, in 1985-86, when overall frozen sweet goods sales were beginning to lag. By broadening its sweet goods line, Sara Lee since has achieved sales increases there as well.

Single-serve cake introductions

The same life style changes that have boosted the food service segment also are beneficial to Sara Lee's retail business, where bagels, muffins and gourmet desserts are selling well. In responding to consumer demand for portion-controlled, portable foods, Sara Lee introduced snack-sized portions of pound cake, cheese cake, carrot cake and chocolate cake, and followed with single-serve all butter coffee cakes.

The fixed amount of freezer space in supermarkets does place a ceiling on the retail business. Sara Lee does not offer special allowances or incentives to retailers to provide more space, relying instead on product reputation. "Retailers know we only offer new products after careful research," said company spokesperson Peg Ransom. "We have to keep showing them that they can make more money with our products, not just trade Sara Lee sales for sales of Brand X, Y or Z."

The growth potential for Sara Lee's in-store bakery business, according to Ms. Ransom, is somewhere between food service and retail. Sara Lee has created many incentive programs for in-store bakers. During a recent promotion for crumb cakes and Danish coffee cakes, for example, it provided cash-back rebates for minimum orders on many of its bakery-deli products. Concurrently, Sara Lee created an introductory promotion for two new Danish coffee cake varieties.

Variety, quality and support

"We are continuing to develop new products and offer attractive promotions such as these because our customers are looking for product variety and quality as well as merchandising support," said Thomas Reeves, a Sara Lee marketing director. "Those are the key elements on which we have built our bakery-deli business."

Another phenomenon of the 1980's, the microwave oven, may offer expanded product opportunities for Sara Lee, although the company has not yet developed a product solely for microwave ovens. Some Sara Lee breakfast items, such as cinnamon rolls, bagels and muffins, carry microwave directions on their labels. Ms. Ransom said the company is exercising caution to make sure that directions for microwave preparation are not included on products whose quality would suffer from that process.

Additional evidence of Sara Lee's confidence in its growth potential is noted at Tarboro, N.C., near Raleigh, where the company is building its sixth U.S. plant. Initial production from that plant is expected in early 1989.

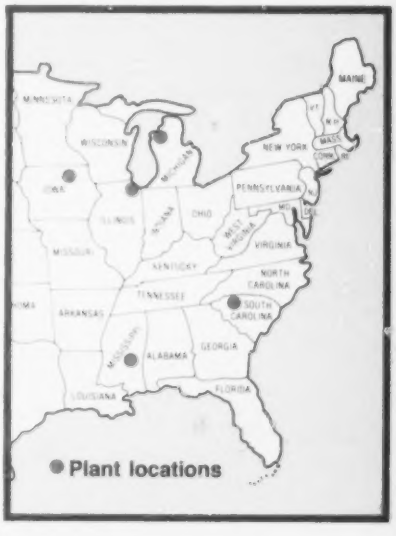
Sara Lee

Vital Statistics

Ownership: Sara Lee Corp.
Headquarters: Deerfield, Ill.
Number, location of plants: 5. Iowa, Illinois, Michigan, Mississippi, South Carolina.
Largest volume plant: Deerfield, Ill.
Annual sales: $800 million (est.)

Marketing, Distribution

Principal products: Sweet goods, snacks, bagels, muffins, bread.
Principal brands: Sara Lee, Chef Pierre.
Market facts: Distributes more than 200 frozen baked food products to food service, retail and in-store bakery outlets in 50 countries. Holds 38% dollar share of retail frozen baked foods market in U.S. Operates plants in Australia, Canada and the United Kingdom.



Management

Officers:
Chief executive officer:
Thomas D. MacLeod
Executive vice-president, operations:
Oreste J. Boscia.
President, Retail Division:
T. Patrick Costello.
President, Foodservice Division:
Robert A. Iverson.
Senior vice-president, chief financial officer:
Garry M. Riggs.
Senior vice-president, Foodservice Division:
Thomas G. McCarley.

Commitee management works for family-owned company in East

"PROFESSIONAL FAMILY MANAGEMENT," like "military intelligence," often is a contradiction in terms. But that's not the case at Schmidt Baking Co. The family, which in 1979 regained the top executive positions at the Baltimore-based wholesale baking company for the first time in 17 years, broadened its management team during the past decade to include non-family members and evolved a consensual approach to decision-making.

That approach continues today under Thomas S. Bowyer, who succeeded his cousin, Bernard (Roddy) Smith, as president upon Mr. Smith's death in March 1987. "Roddy's background was in sales and marketing, and he brought those strengths to running the company," Mr. Bowyer pointed out "Mine is in purchasing, administration and labor relations. I suppose I'm a lot more of a detail person than Roddy was. But one thing that hasn't changed is that we still manage very much by committee. At the top of our company is a senior executive committee that includes me, my brother, Charles Bowyer (senior vice-president, sales), my cousin, Pete Smith (senior vice-president) and Bernard Manzone, (senior vice-president, finance and administration)."

Fifth generation of family

Last July, Pete Smith's son, Peter Jr., joined the company as a sales trainee. While not a member of the senior committee, he marks the fifth generation of involvement in the family business, which has been inherited through the daughters of the company founder. Schmidt celebrated its centennial in 1986.

"At one time, we had seven plants," Mr. Bowyer noted. "Now, we have three producing more product than those seven combined. That's primarily because of the capabilities of our Baltimore plant, which we opened in 1984. And we have continually updated our other two plants." One is in Martinsburg, W.Va.; the other in Cumberland, Md.

Even so, over the past two years the company has purchased "a significant amount of additional products" from other suppliers to keep up with summertime demand for hot dog and hamburger buns, Mr. Bowyer added. Management concluded late last year that an additional production line should be installed in the Baltimore plant to meet this demand. The plant already was running three shifts a day, six days a week, sometimes extending that schedule to seven days during peak demand periods like Memorial and Labor Day weekends. But this summer, the expansion plan was put on hold.

"The drouth presented some major challenges," Mr. Bowyer explained. "From about 1983 until this year, we enjoyed fairly stable commodity prices, and this was the first time during those years we've had to postpone line expansion. But with the dramatic escalation in flour and shortening costs, we thought the situation was too unstable to proceed.

"We want to see how our competitors and our customers are going to respond. Our customers have accepted about a 5% increase in prices over the past few years, so we haven't met any resistance so far. But we just don't know what's going to happen."

Expanding in variety, light bread

Schmidt has concentrated expansion in two primary product lines, variety bread and light bread. In 1984, its Old Tyme variety bread line included six products; now, it includes 12.

Last January, Schmidt introduced a light variety of white and wheat to its Sunbeam and Blue Ribbon lines, and added a light wheat to Roman Meal. It also produces a light raisin bread under the Schmidt label. Prior to these introductions, the only light bread Schmidt distributed was under a proprietary license label. With the new varieties, sales of light bread have increased three-fold. Bread and rolls account for 85% of total sales at Schmidt, which hit $93 million in 1987. The company sells but does not produce sweet goods, which account for the remaining sales.

Quick response to changing market trends is one reason Schmidt is spending more than $1 million to equip its route salesmen with hand-held computers. "This is our most significant capital expenditure since we opened the Baltimore plant," Mr. Bowyer said. "We started the program in July and hope to have computers to all our salespeople by the end of the year.

"Years ago, when I was a route salesman, we did our calculations in our head," Mr. Bowyer noted. "By the 1970's, our salesmen all had electronic calculators. I have tried to allay any fear of computers our people might have by pointing out that this is just an extension of those developments, a tool that will help reduce their paperwork, but not control their lives."

Mr. Bowyer said the hand-held computers should give his salespeople more time to sell by reducing the time they spend on clerical functions. And he believes the computers will answer Schmidt's need to "gain as much information as quickly and accurately as possible to manage our product mix.

"We think it's becoming more and more important to sell the right product at the right time and make sure we find and hold our market niche. These computers will give us sales per route and sales per store and help pinpoint what's selling and what isn't in different markets, rural, urban or suburban."

With the opening of the Baltimore plant in 1984, Schmidt Baking company closed outdated facilities in Wilmington, Del., and Verona, Va. It doesn't expect to make any other major changes in the near future. "Right now," Mr. Bowyer said, "we're sort of catching our breath."

Vital Statistics

Ownership: Private.
Headquarters: Baltimore.
Founded: 1886.
Number, location of plants: 3. Maryland (2), West Virginia.
Total employes: 1,300.
Annual sales: $93 million.

Marketing, Distribution

Principal products: Bread, rolls, buns, sweet goods.
Principal brands: Sunbeam, Schmidt's Blue Ribbon, Schmidt's Old Tyme.
Markets: Delaware, New Jersey, Pennsylvania, West Virginia, Virginia, Maryland, Washington, D.C.
Market facts: Operates 15 distribution depots.
Routes: 400.

Management

Officers:

President:
Thomas S. Bowyer Jr.
Senior vice-president, finance:
Bernard D. Manzone.
Senior vice-president, operations:
C. Peter Smith.
Senior vice-president, sales:
Charles H. Bowyer.

Expansion in Northeast, New York achieved through acquisitions

GRANDPA STROEHMANN is a survivor. The cartoon character who made his first television appearance in the late 1950's "is probably the greatest advertising vehicle our company has," according to Frank W. Coffey, president and chief executive officer of Stroehmann Bakeries, Inc., headquartered in Horsham, Pa. "When I travel and show my company card, people immediately bring up Grandpa."

Grandpa Stroehmann may be as timeless as Mickey Mouse, but the company he represents is far different now than it was at the time George Weston Ltd. of Toronto acquired it from the Stroehmann family in 1980. Founded in 1924 by Carl and Harold Stroehmann, the company largely was identified with one product, white bread, and was characterized by a rigid, highly centralized management structure.

Move to decentralize management

An early move by Weston was to decentralize management, with each plant now a profit center. "While we have some corporate guidelines, such as on pricing, for example, the day-to-day operating responsibility is really in the hands of each plant's general manager," Mr. Coffey explained. "And most of those managers are the same ones who were here prior to 1980."

Since the Weston purchase, Stroehmann also has been marked by rapid expansion in product line and geographic territory. Part of that expansion involved Interstate Bakeries Corp. In 1985, Stroehmann acquired distribution rights for Interstate's Millbrook and Dolly Madison lines in upstate New York.

Into New York metropolitan market

More recently, Stroehmann teamed up with I.B.C. in a limited joint venture under which each company acquired properties from American Bakeries Co. Interstate purchased American's Merita and Cotton's baking subsidiaries; Stroehmann acquired American's Taystee plant at Flushing, N.Y. The Taystee plant is the nation's largest in terms of production space.

"That acquisition put us into the New York metropolitan market," Mr. Coffey pointed out. "There's very little overlap between Stroehmann and Taystee in that market." He noted that the metropolitan New York market is a highly competitive one. "Continental is No. 1 there, and Taystee is a strong No. 2. But in a market of 14 million or 15 million people, I'm not too dissatisfied with where we stand."

The Taystee acquisition came on the heels of another major expansion for Stroehmann's. In October 1987, the company moved into New England with its purchase of the sales and distribution operations of Dreikorn's Bakery, Inc., Holyoke, Mass. Stroehmann's top competitors in that market are Continental and Nissen.

"We saw an opportunity with Dreikorn's, particularly in marketing," Mr. Coffey said. "The company had been run from a family business standpoint. That's a little different than the way we operate. Our belief was that with Dreikorn's distribution system we could bring on new products that would help build sales." Stroehmann operates traditional route sales as well as store-drop delivery programs. "We're comfortable with both systems," Mr. Coffey said. "It really comes down to what the store owner wants."

Stroehmann's has successfully introduced two new brands to the New England market, D'Italiano and New York Rye, and has refined the marketing program for Dreikorn Light bread that was introduced just prior to the purchase by Stroehmann. D'Italiano and New York Rye were two of the principal brands acquired with the Taystee operation.

Another important expansion move for Stroehmann was the 1982 acquisition of the Hazelton, Pa., plant of Spaulding Bakeries. "We have spent between $3 million and $4 million refurbishing it into one of the most efficient variety bread plants in the country," Mr. Coffey pointed out. "This has increased our ability to produce quality products at an efficient cost."

Variety line offering expanded

Stroehmann also has expanded its variety product line through licensing agreements with Roush Products for Fibre Goodness and Light 'n Natural loaves. It also distributes Hearth Farms, Bohemian Hearth and Earth Harvest lines. Golden Circles, a round white, sweeter bread, is now being test marketed in Philadelphia. That product, Mr. Coffey noted, was inspired by Taystee's success with a round bread.

Stroehmann's has assigned the advertising accounts for its Taystee and Dreikorn divisions to Muller Jordan Weiss, Inc., New York. Stroehmann's agency since 1978. "We have to be very competitive in our advertising; we can't be overrun," Mr. Coffey emphasized. "In our new markets, this is extremely important. Advertising is a support vehicle. Grocers want to see that we're supporting our products with media and good promotion programs.

"But it's really the strength of the sales execution more than advertising that drives sales. This means our driver-salesmen and sales supervisors have to order properly for the store, have good, clean displays, fresh products and point-of-sale material on the shelf at all times."

Even with changes in ad agencies for some of its brands and an increased use of health and nutrition-related labeling, Grandpa Stroehmann will be very much a part of the company's advertising programs, including possible use in the New England market. But the old German gentleman won't be making the trip to the Big Apple, according to Mr. Coffey. "In that market, we're dedicated to the Taystee brand."

Stroehmann Bakeries, Inc.

Vital Statistics

Ownership: George Weston Ltd.
Headquarters: Horsham, Pa.
Founded: 1924.
Number, location of plants: 12. Connecticut, New York (2), Pennsylvania (9).
Total employes: 5,000.
Annual sales: $300 million.

Marketing, Distribution

Principal products: Bread, rolls, snack cakes, sweet goods.
Principal brands: Stroehmann, Millbrook, Sunbeam, Taystee, Dreikorn, Fibre Goodness, Light 'n Natural, Earth Harvest.
Market facts: 50 distribution centers and 1,200 routes serving New York, Pennsylvania, New Jersey, Ohio, Virginia, West Virginia, Delaware, Maryland, New England.

Management

Officers:
Chairman:
J.P. Wygant.
President, chief executive officer:
Frank W. Coffey.
Senior vice-president:
C.A. Caffrey.
Vice-president, operations:
R.J. Long.
Vice-president, operations:
W.D. Clouser.

Five-year plans bring changes in products, distribution, markets

NEXT YEAR WILL MARK Tasty Baking Co.'s 75th anniversary, and there's talk of treating all 1,200 company employes to a Philadelphia Phillies baseball game at Veterans Stadium as part of the anniversary celebration. Nelson G. Harris, president and chief executive officer of Tasty and its principal subsidiary, Tastykake, Inc., pointed out that Tasty is the longest continual sponsor of the Phillies. That's one tradition Mr. Harris isn't about to break. In other areas, he is a trend-setter.

Since taking the helm of Tasty Baking in 1981, Mr. Harris has directed a change in Tastykake's distribution system from company-owned to independent routes. He also has introduced the concept of five-year strategic plans to the company. During that time, Tastykake's commitment to capital spending has increased, and so has its distribution territory.

Once limited to the Mid-Atlantic region, Tastykake distribution has expanded to the West coast and now north and south, moving into upstate New York, New Hampshire, Massachusetts, Connecticut, southern Virginia, Georgia and Florida. Tastykake is making a strong push in the latter state, the retirement choice of many of its traditional customers, who carry brand name loyalty with them when they move.

At the same time, Tastykake is well aware of a changing consumer profile. "During the past several years, two of the four elementary schools have closed in the township where I live," Mr. Harris pointed out. "Our biggest market is the 5 to 19-year-old age group, and it's shrinking. The percentage of the market that's 60 years old or more is growing, but some of it is moving south."

Tastykake also has changed its view of the business it's in. "We had to make the shift from thinking of ourselves as a production company to thinking of ourselves as a consumer-oriented company," Mr. Harris said. This led to changes in marketing, product introduction and distribution programs.

Tastykake established a new product department, formerly not a separate area of the company, to meet the needs of a changing marketplace. "An estimated $29 million in sales last year came from products that didn't exist in 1982," Mr. Harris said. This includes a full line of donuts, cookies and Swiss rolls.

Those changes stemmed from Tastykake's first five-year strategic plan, adopted in 1982. In 1987, it created another five-year plan covering geographic expansion, capital improvements and changes in the distribution system.

Route transition not an easy one

The sale of Tasytake's company-owned routes to independent driver salesmen beginning three years ago attracted widespread interest and prompted similar programs, successful as well as unsuccessful, at other companies. But Mr. Harris laughingly dismisses the suggestion that Tasty's transition was an easy one.

"I met with every salesman in the company during three separate group meetings to try to explain why we wanted to do this," he said. "They were nervous at first and concerned about how the move would affect their relationship with the company. Tasty has always been, and still is, a paternalistic company. They wanted to make sure that closeness would remain once they became independent.

"So we agreed to monitor the situation very closely, and to provide marketing assistance and enlarge our supervisory capabilities. As the program has progressed, it has helped that some of the routes already have increased in value by up to 40%."

Fosters entrepreneurial spirit

Mr. Harris expects that kind of return to help foster an entrepreneurial spirit, one of the primary reasons for making the change. "We have had some owners who have sold part of their route," he added. "This has helped deepen our market in some areas, for as the new owner builds up his territory, the first owner is working hard to build his route back up as well."

Independent route distribution doesn't mean a loss of control for the company, Mr. Harris emphasized. Tastykake has the right to approve route purchasers, provides three weeks of training for new route owners and sends supervisors to accompany new owners on their calls.

The conversion, Mr. Harris added, met another company objective by helping to stabilize distribution costs. And sale of the routes has raised an estimated $16 million, which has been plowed back into a capital spending program under Tasty's current five-year strategic plan.

Investments in plant, equipment

One phase of that program called for a new Philadelphia shipping and receiving facility, now nearing completion, that will provide the company with more freezer space. Tastykake also is adding co-generation capabilities that will provide 60% of the company's electrical needs for its baking ovens. The company also is installing an electronically controlled mixing system at its single baking plant in Philadelphia, a six-story structure.

The five-year plan also provides for a new office building. Expansion of the company's data processing center is also a possibility and within a year's time, route delivery trucks will be outfitted with on-board computers. That program will cost about $3 million for the hardware and software. It's an investment Mr. Harris believes will pay for itself in terms of sales analysis, inventory control, and quicker turnaround between plant and retailers.

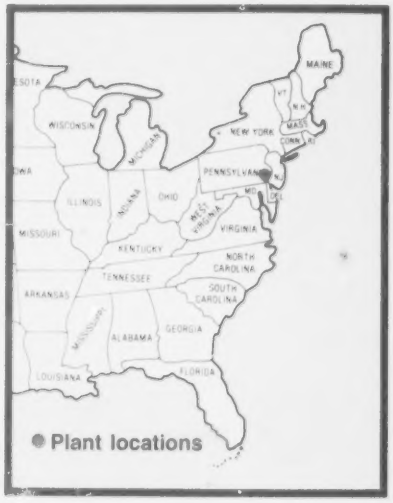
TASTYKAKE®

Vital Statistics

Ownership: Tasty Baking Co.
Headquarters: Philadelphia.
Founded: 1914.
Number of plants: 1, Pennsylvania.
Total employes: 1,200.
Annual sales: $173.9 million.

Marketing, Distribution

Principal products: Snack cakes, pies, cookies, donuts, fruitcake.
Principal brand: Tastykake.
Market facts: More than 375 owner/operator routes reach 21,000 outlets in six-state region in East; products sold by distributors in 17 states in East and Southeast and in southern California and Las Vegas.



Management

Officers:

President:
Nelson G. Harris.

Vice-president, engineering:
Brookes A. Britcher Jr.

Vice-president, manufacturing:
Leonard F. Rayca.

Vice-president, sales, marketing:
Carl S. Watts.

Director of marketing:
Gary G. Kyle.

Controller:
Gerald E. Monigle.

New cookie group places focus on not competing against the majors

SAN FRANCISCO-BASED Wyndham Foods, Inc., wasn't even in the baking business two years ago. But last summer it became the major supplier of one of America's most popular treats, Girl Scout Cookies, through the purchase of Murray Bakery Products, Inc., Augusta, Ga.

The $170-million acquisition was the latest in a string of purchases that have propelled Wyndham squarely into the cookie, cracker and snack cake business. Prior to Murray, Wyndham had acquired:

- Jackson Cookie Co., Inc., North Little Rock, Ark., which produces biscuits, cookies and crackers under the Jackson label.
- Plantation Baking Co., Lake Bluff, Ill., which makes soft cookies, snack cakes and fudge brownies under the Plantation label.
- Bishop Baking Co., Cleveland, Tenn., a producer of cakes and enrobed cookies under the Kim & Jim and Bishop labels.
- Greg's Cookies, Inc., Birmingham, Ala., which makes sandwich, chocolate-chip and vanilla wafer cookies.

All companies are now operated under Wyndham Baking Co., based in Augusta as a new subsidiary of Wyndham Foods.

Except for Murray with its Girl Scout cookies, none of the acquired companies has a national product. Ian R. Wilson, chairman and chief executive officer of Wyndham Foods, said his company was formed in 1986 "to take advantage of opportunities to put together regional food companies that don't compete against the majors." Thus, most of the company's cookies and crackers are "regional, popularly priced products" not in direct competition with national brands.

Murray to 'fill in the map'

While the Girl Scout cookie business was a big factor in the Murray purchase, the move also allowed Wyndham to "fill in the map in the Southeast," said Wyman C. Harris, president of Wyndham Baking Co. Mr. Harris, who has been executive vice-president and chief operating officer of Wyndham Foods since it was formed, added, "We were also drawn to Murray because of its fine reputation, outstanding products and excellent distribution system."

Formation of the baking subsidiary was concurrent with the completion of the Murray acquisition. "These companies had been subsidiaries of Wyndham Foods, and had operated separately," Mr. Harris explained. "Now we are integrating certain operations, some of them administrative and some related to distribution. In some markets there was an overlap between Murray and our other baking companies."

That integration includes a reorganization of Murray. Mr. Harris is consolidating sales and administration and eliminating duplication in routes of Murray and Jack's Cookie Co., Charlotte, N.C. The latter was acquired from Flowers Industries, Inc., in 1987 by Murray's former parent company, The Prospect Group, New York. There also will be some consolidation on the brokerage side.

The acquisition of Jack's had helped Murray outgrow its heavy dependency on Girl Scout cookies; that business now accounts for only 20% of Murray's sales. To offset the seasonal nature of the Girl Scout business, production facilities also are used to make Christmas cookies and cookies for ice cream products in the summer. Murray has a 650-route direct store delivery system in the Southeast and Southwest; its brands include Barbara Dee, Jack's and Murray, among others.

Wyndham has no major capital expenditure plans for any of its eight plants, according to Mr. Harris. "All of the plants we acquired are in good shape," he explained. "They just require normal maintenance. We haven't closed any plants, and we don't have any plans to open new ones at this time."

Wyndham Food, has financed its entry into the baking business (and in other businesses until recent divestitures narrowed its focus to wholesale baking) through leveraged buyouts. "The advantage of leveraging is that it improves your return on equity," Mr. Harris said. "The disadvantage is interest costs. Fortunately, we have permanent financing at a fixed rate. We recently completed a public bond offering of $100 million in 10-year notes at 13⅜% interest. The bottom line is that we have the financial resources we need to execute our plans."

Goal of $500 million in sales

Those plans, Mr. Harris said, involve balancing internal growth with acquisitions of regional companies. "We're now in the $300-million sales range, and we expect to be in the $500-million range in five years' time. We think that's a realistic goal."

WYNDHAM BAKING COMPANY, INC.

Vital Statistics

Ownership: Wyndham Foods, Inc.

Headquarters: Augusta, Ga.

Number, location of plants: 8. Alabama, Arkansas, Georgia, Illinois, Kentucky, Oklahoma, North Carolina, Tennessee.

Total employes: 3,000.

Annual sales: $300 million (est.)

Marketing, Distribution

Principal products: Cookies, crackers, brownies, snack cakes.

Principal brands: Murray, Barbara Dee, Plantation, Jackson, Kim & Jim, Bishop.

Markets facts: Plantation brand near national distribution; other brands regional.

Management

Officers:

Chairman, Wyndham Foods, Inc.
Ian R. Wilson.

President:
Wyman C. Harris.

President, Jackson Cookie:
George Schaefer.

President, Greg's Cookies:
Richard Crow.

President, Plantation Baking:
Mal Kaufman.

President, Bishop Baking:
Gene Veazey.

Executive vice-president, Murray:
Sam K. Reed.

An[illegible]al sales of Corporate Profile companies

Nabisco Biscuit Co	$2.0 billion
Continental Baking Co	$1.9 billion
Campbell Taggart, Inc	$1.2 billion*
Keebler Co.	$1.1 billion
Interstate Bakeries Corp	$855 million
Sara Lee Bakery	$800 million*
General Foods Bakery Companies, Inc	$750 million*
Flowers Industries, Inc	$738 million
G.F. Industries, Inc	$600 million*
Pepperidge Farm, Inc	$493 million
Metz Baking Co	$450 million
Best Foods Baking Group	$400 million
McKee Baking Co	$300 million
Stroehmann Bakeries, Inc	$300 million
Wyndham Baking Co	$300 million*
General Biscuits of America	$250 million*
Rich Products Corp	$230 million
Tastykake, Inc	$174 million
Mrs Baird's Bakeries	$150 million
Lender's Bagel Bakery	$150 million*
Drake Bakeries, Inc	$140 million
John J. Nissen Baking Co	$125 million
San Francisco French Bread Co	$110 million*
Schmidt Baking Co	$93 million
Lewis Bros. Bakeries, Inc	$80 million

*Estimate.

U.S. wholesale baking plant profile

(Base: U.S. bread and cake and biscuit and cracker plants listed in 1988 'Baking Directory' of Milling & Baking News)

	-- Number of plants -- Bread, cake	Biscuit, cracker
Annual sales:		
$1-5 million	144	25
$5-10 million	123	27
$10-15 million	127	32
$15-20 million	80	15
$20 million plus	125	42
Number of employes:		
1 to 19	15	2
20 to 49	99	16
50 to 99	122	34
99 plus	440	113
Products produced:		
White pan bread	387	
Hamburger, wiener rolls	379	
Whole, cracked wheat bread	321	
Rye bread	251	
Dark wheat bread	228	
White hearth bread	207	
Chocolate chip cookies		87
Sandwich cookies		70
Snack crackers		47
Saltine crackers		40

Bread and Cake Industry profile

Total employes	153,400
Production employes	81,900
Value of shipments	$15,148 million
Value added by manufacture	$9,586 million
Capital expenditures	$409 million
Materials, ingredients used	$5,666 million

Cookie and Cracker Industry profile

Total employes	45,000
Production employes	33,200
Value of shipments	$6,177 million
Value added by manufacture	$3,968 million
Capital expenditures	$163 million
Materials, ingredients used	$2,203 million

Source: 1986 Annual Survey of Manufactures, U.S. Department of Commerce

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Shipments of bread, cookies, crackers, snacks

(Wholesale value of selected product shipments, in millions of dollars, by all commercial producers, regardless of industry classification)

	1983	1984	1985	1986*	1987**
Total bread, cake	$11,497.7	$11,724.1	$12,112.8	$12,666.8	$12,821.0
All bread	4,898.9	4,990.9	5,124.2	5,294.5	5,400.0
White pan	2,729.1	2,780.4	2,854.7	2,903.1	2,928.3
Variety types	1,938.4	1,974.8	2,027.5	2,116.0	2,161.5
Unspecified kinds	231.4	235.7	242.0	244.6	233.6
Rolls, bread stuffing, crumbs	2,518.1	2,503.3	2,684.7	2,951.1	3,000.0
Sweet yeast goods, except frozen	845.4	851.5	856.7	828.7	830.8
Soft cakes, except frozen	1,232.3	1,278.1	1,418.7	1,519.0	1,530.0
Pies, except frozen	387.0	372.7	378.3	344.1	511.0
Cake-type donuts	454.2	474.0	481.3	521.1	463.7
Unspecified products	1,125.0	1,219.9	1,132.7	1,162.3	1,169.5
Total cookies, crackers	4,759.4	5,443.3	6,236.6	5,893.9	7,003.5
Cookies and related items	2,592.2	2,881.9	3,287.8	3,265.3	3,782.6
Crackers and similar products	2,031.2	2,389.3	2,742.3	2,426.2	2,993.7
Unspecified cookies and crackers	136.0	172.1	206.5	202.4	227.2
Frozen pies, frozen baked foods	1,331.2	1,583.9	1,670.0	1,819.1	.....
Potato and corn chips	3,536.7	3,895.0	4,480.8	4,617.7	.....

Annual per capita consumption of baked foods

(In lbs per person, based on wholesale production; excludes retail and supermarket in-store production and home baking)

	1983	1984	1985	1986*	1987**
White bread	27.44	27.25	26.82	26.56	26.48
Variety bread	15.89	16.55	16.58	16.64	16.78
Hamburger, wiener rolls	11.52	11.57	11.12	10.96	10.81
Brown 'n serve	1.18	1.19	1.19	1.18	1.11
Hearth rolls	1.16	1.18	1.16	1.16	1.10
Yeast donuts	0.64	0.62	0.58	0.57	0.58
Other sweet yeast goods	2.90	3.05	2.94	2.96	2.96
Snack cakes	3.66	3.94	3.90	3.90	3.88
Other soft cakes	1.58	1.52	1.44	1.41	1.40
Snack pies	1.13	1.14	1.13	1.11	1.11
Other snack pies	0.85	0.87	0.85	0.84	0.83
Cake-type donuts	1.78	1.80	1.79	1.76	1.75
Sandwich cookies	2.54	2.69	2.72	2.85	2.93
Marshmallow cookies	0.37	0.39	0.40	0.41	0.43
Other cookies	6.33	6.72	6.79	7.11	7.27
Graham crackers	0.77	0.77	0.76	0.77	0.79
Saltines	2.55	2.54	2.50	2.54	2.61
Pretzels	0.80	0.79	0.78	0.77	0.75
Other crackers	3.08	3.10	3.06	3.11	3.04

Source: U.S. Department of Commerce. *Preliminary. **Estimate.

Wholesale baking employment profile, 1983-87

	1983	1984	1985	1986	1987
Bread and Cake					
Total employes	170,300	167,000	165,700	164,600	162,700
Women employes	37,900	37,000	36,600	36,800	36,800
Production workers	91,600	90,500	90,100	90,400	90,100
Production worker average hourly earnings	$8.95	$9.39	$9.68	$9.80	$9.98
Production worker average weekly hours	37.6	37.9	38.3	39.0	38.9
Production worker average weekly overtime hours	3.1	3.3	3.4	3.7	3.9
Cookie and Cracker					
Total employes	44,600	45,100	44,300	44,300	46,000
Women employes	21,100	20,700	20,400	20,700	21,900
Production workers	35,800	36,100	35,600	35,800	37,000
Production worker average hourly earnings	$8.75	$9.34	$9.70	$10.08	$10.17
Production worker average weekly hours	39.2	40.5	40.7	41.3	42.3
Production worker average weekly overtime hours	2.5	2.5	2.8	3.4	3.8

Source: U.S. Department of Labor.
Note: D.O.L. employment figures are annual averages of monthly data and thus include seasonal workers; Department of Commerce Census of Manufactures employment figures are based on March 15 payroll in year covered.

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Informative brochures detailing these programs are available by writing or calling the American Institute of Baking, 1213 Bakers Way, Manhattan, KS 66502, 1-800-633-5137 or 913-537-4750.

Continued from page 8
and cookies, acquires four California baking plants of American Bakeries Co.

1985

January: American Bakeries Co. strengthens Merita operations with acquisition of Cotton Brothers, Inc.

February: Prospect Group, Inc., acquires Murray Bakery Products, Inc., cookie and cracker baking business of Beatrice Companies, Inc., with plants in Georgia, Kentucky and Oklahoma.

March: Heileman Baking Co. acquires New Process Baking Co., Inc., with plants in Chicago and Milwaukee.

September: RJR Nabisco, Inc., is created through acquisition by R.J. Reynolds Industries, Inc., of Nabisco Brands, Inc., nation's largest cookie and cracker producer, for $4.9 billion.

October: Arnold Foods Co., Inc., acquires Devonsheer Melba Corp., producer of toasted bread products.

October: Philip Morris Companies, Inc., agrees to acquire General Foods Corp., parent of Entenmann's and Oroweat Foods, in $5.6-billion transaction.

December: Flowers Industries, Inc., continues expansion in Southwest with acquisition of American Bakeries Co. plant at Fort Worth, Texas, and three plants of Mead Foods, Inc.

1986

May: Interstate Brands Corp. acquires Purity Baking Co., Decatur, Ill., with plants in four Illinois cities.

July: Ralston Purina Co., parent of Continental Baking Co., acquires Drake Bakeries, Inc., from Borden, Inc., for $115 million.

August: Murray Bakery Products, Inc., acquires Ohio-based Buckeye Biscuit distribution business of Tasty Baking Co.

November: Flowers Industries, Inc., acquires CFS Bakeries operation from Staley Continental, Inc., with food service baking plants in Florida, Arkansas and California.

November: Interstate Brands acquires Langendorf cake and cookie plants of Good Stuff Food Co., Inc., at Berkeley and Oakland, Calif., and transfers assets of its Four-S institutional and restaurant baking business at Los Angeles to Good Stuff. The Langendorf plants were among four purchased by Good Stuff from American Bakeries in 1984.

November: CPC International Inc., parent of S.B. Thomas, Inc., acquires Arnold Foods Co. from management-investor group for $145 million. After acquiring the Old London baking business of Borden, Inc., a month later, CPC combines baking operations into Best Foods Baking Group.

December: Flowers Industries, Inc., completes acquisition of William Wolf Baking Co. with plants at New Orleans and Baton Rouge, La.

December: Heileman Baking Co. acquires National Baking Co. of Chicago, major variety bread producer for food service market.

December: Management group led by E. Garrett Bewkes Jr., chairman, completes leveraged buyout of American Bakeries Co. for $200 million.

1987

February: American Bakeries Co. an-

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nounces restructuring program that includes scheduled divestiture of five plants accounting for about 25% of its total sales in baking and development of remaining 11 plants into new regional baking operation in South and Southeast.

July: Murray Bakery Products, Inc., completes purchase of Jack's Cookie Co., Charlotte, N.C., from Flowers Industries, Inc.

August: Heileman Baking Co. acquires four Taystee Division plants from American Bakeries Co. for estimated $50 million, adding Kansas City and Detroit as major new markets. American sells Dressel's frozen cake plant in Chicago to Jacquet S.A. of France.

August: Ralston Purina Co. sells Drake Bakeries to investor-management group, headed by Christos Christodoulou and Rock Capital Partners, Inc., for $176 million.

September: Management group headed by Robert W. Hatch begins $400-million leveraged buyout of Interstate Bakeries Corp.

October: Bond Corporation Holdings Ltd. of Australia acquires G. Heileman Brewing and its Heileman Baking Co. subsidiary.

December: General Foods Corp. acquires Charles Freihofer Baking Co., Inc., for estimated $115 million.

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January: In midst of leveraged buyout by management-investor group, Interstate Brands completes acquisition of 10 Merita/Cotton's plants from American Bakeries Co. for $135 million. In related transaction, Stroehmann Bakeries, Inc., acquires Flushing, N.Y., plant of American for $27 million, completing American's withdrawal from wholesale baking.

April: Privately owned G.F. Industries, Inc., completes acquisition of Sunshine Biscuits, Inc., nation's third-largest cookie and cracker producer, from American Brands, Inc., for undisclosed amount of cash.

April: Sara Lee Corp. merges its Kitchens of Sara Lee and Chef Pierre baking operations into Sara Lee Bakery.

May: Wyndham Foods, Inc., West coast holding company, acquires Murray Bakery Products from Prospect Group, Inc., for $170 million. Murray, along with Jackson Cookie Co, Plantation Baking Co., Bishop Baking Co. and Greg's Cookies, becomes part of new Wyndham Baking Co.

May: R.T. Holding Corp. S.A., a major Belgian sugar refiner, acquires Heileman Baking Co. from Bond of Australia, outbidding Heileman Baking management group. In August, Heileman Baking and Metz Baking Co. merge, forming new 23-plant regional baking operation owned jointly by the Metz family and R.T. Holding.

May: Tate & Lyle P.L.C. of England acquires Staley Continental, Inc., for $1.5 billion. In August, Sysco, Inc., acquires Staley food service business, plans divestiture of Fresh Start Bakeries, Inc., operation.

June: General Foods Corp. forms new holding company, General Foods Bakery Companies, for its Entenmann's, Oroweat and Freihofer baking operations.

October: Philip Morris Companies, Inc., parent of General Foods, and Kraft, Inc., parent of Lender's Bagel Bakery, agree to $13.1-billion merger transaction that will create world's largest consumer product business.

October: Kohlberg, Kravis, Roberts & Co. begins $21.1-billion tender offer for RJR Nabisco, parent of Nabisco Biscuit Co., as RJR Nabisco management group studies leveraged buyout plan.

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